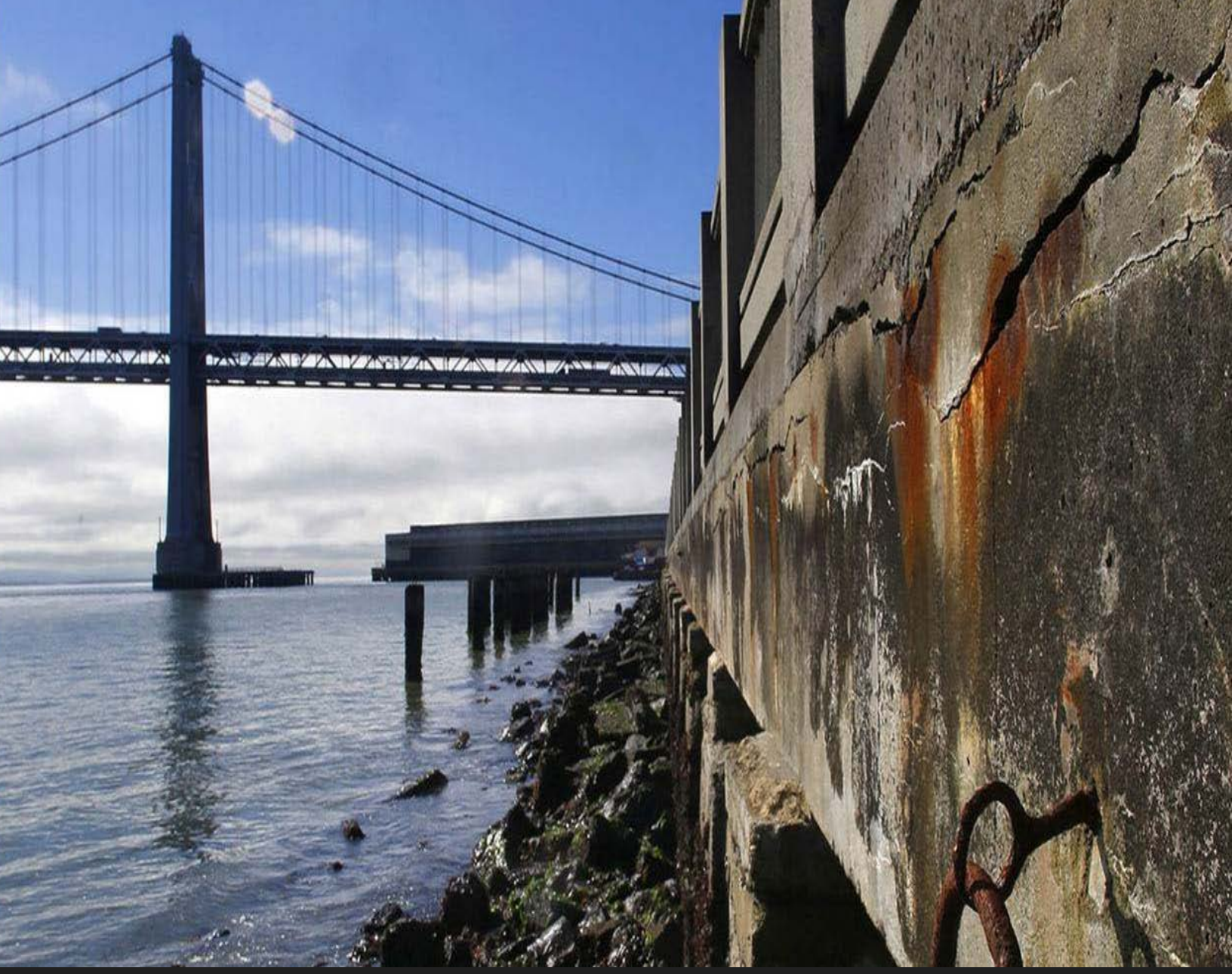

Fortifying San Francisco's Great Seawall: Strategies for Funding the Seawall Resiliency Project

July 2017

A report to the Capital Planning Committee and the Seawall Executive Steering Committee by the Seawall Finance Work Group

ONESF
Building Our Future

PORT OF SAN FRANCISCO

Fortifying San Francisco's Great Seawall:

Strategies for Funding the Seawall Resiliency Project

Presented to the Capital Planning Committee
June 12, 2017

Presented to the Seawall Resiliency Project Executive Steering Committee
June 16, 2017

Approved by the Seawall Finance Work Group

Copies of this document can be found at www.onesanfrancisco.org or through:

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[1] At the time of SFWG creation in November 2016.

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San Francisco's Great Seawall (Seawall) was constructed more than a century ago and is the foundation of over three miles of San Francisco waterfront stretching from Fisherman's Wharf to Mission Creek. The Seawall supports historic piers, wharves, and buildings including the Ferry Building. It underpins the Historic Embarcadero Promenade, many of the City's iconic tourist destinations, recreation and park facilities, restaurants, and local businesses – all bringing an estimated 24 million people to the waterfront each year. The Seawall also supports key utility networks and transportation infrastructure for the BART, Muni, and ferry transportation networks. Additionally, the Seawall serves as a critical emergency response and recovery area and provides flood protection to downtown San Francisco neighborhoods. All of the activity along the northern waterfront today is made possible by the Seawall at its base.

In 2016, the Port of San Francisco completed a study that concluded that the northeastern waterfront is highly susceptible to earthquake damage because the Seawall was built prior to the development of engineering techniques that account for seismic risks and land liquefaction. In addition, the waterfront is vulnerable to climate change and a possible 66 inches in sea level rise by the year 2100.

COST PROJECTIONS

Note: Project cost estimates in this report are in 2016 dollars and do not take into account the time value of money. It is important to consider the influence inflation will have on the overall cost of repairing the Seawall over time.

The Seawall Resiliency Project

In 2015 under the leadership of Mayor Lee, the Port launched the Seawall Resiliency Project (the Project), a major City and Port effort to significantly improve earthquake safety and performance of the Seawall, provide near-term flood protection improvements, and plan for additional long-term resilience and adaptation of the northern Bayfront. Port staff have envisioned two major phases to the Project:

- **Phase I** would focus on seismic improvements to address the most critical life safety and flood risks at isolated locations along the Seawall. Phase I is budgeted for $500 million in 2016 dollars and is currently underway, scheduled to finish by the end of 2025.

- **Phase II** would begin after 2025 and would potentially replace the entire three miles of the Seawall with all necessary seismic and sea level rise adaptation measures. This phase is estimated at $2-5 billion in 2016 dollars and could take more than 20 years to complete.

The Port currently has $355 million in planned or proposed funding for Phase I, including a proposed $350 million General Obligation (G.O.) Bond, but there is still a remaining funding gap of $145 million over the next 10 years and a Phase II need of up to $5 billion over the subsequent 20 years. Such dollar estimates could escalate as time and inflation compound.

Seawall Finance Work Group Recommendations

The Seawall Finance Work Group (SFWG) was convened to develop analysis of potential funding strategies and prepare a specific set of recommendations for the City and the Port to consider. Given the vast need evident for a project of this magnitude, the SFWG understood that the City will not have the ability to fund the entire Project on its own and ultimately considered 48 different local, regional, state, and federal funding sources.

After careful analysis, the SFWG created three sets of recommendations.

1. Primary recommendations that the Port and the City should immediately pursue:

    A. **General Obligation (G.O.) Bonds** – specifically the $350 million Seawall Fortification Bond proposed in the City's 10-Year Capital Plan.
    B. A **Community Facilities District (CFD)** to fund sea-level rise adaptations and seismic mitigation measures on the Seawall.
    C. **Local Property Tax Increment Revenue** generated from Infrastructure Finance Districts (IFDs) over development areas on Port property.
    D. **State Property Tax Increment Revenue** generated from IFDs on Port property, to be pursued through legislation at the State level.
    E. **State Resilience General Obligation (G.O.) Bond** funding pursued through legislation at the State level.
    F. **U.S. Army Corps of Engineers Funding** at the federal level through the CAP 103 Program and a General Investigation.

2. Secondary recommendations that could also produce meaningful proceeds for the Project:

    G. **Port Capital Contribution** – specifically $6-9 million in planned funding and resources over the next 10 years.
    H. **Sales Tax Increase Revenue** pursued through a citywide Sales Tax Increase.
    I. **Tourism & Hotel Funding Sources** that could take the form of a Hotel Assessment District or a general Transient Occupancy Tax (TOT) dedicated to support the Project.

3. Supplementary recommendations that have low revenue potential or political feasibility but are related to the Project and worth pursuing:

    J. **Advertising Revenue.**
    K. **Cap & Trade Program Funding.**
    L. **Cruise Ticket Surcharge Increase Revenue.**
    M. **National Park Service Historic Tax Credits.**
    N. **Marina Use Fee Increase Revenue.**
    O. **Philanthropy.**
    P. **Public Private Partnerships (P3's).**
    Q. **Regional Measure (RM3) Bridge Tolls Program Funding.**

ABOUT THIS REPORT

The SFWG was convened by the Office of Resilience and Capital Planning (ORCP) and the Port of San Francisco to prepare a set of funding strategy recommendations for the consideration of the Port's Seawall Resiliency Project staff. These recommendations were presented to both the Seawall Resiliency Project Executive Steering Committee and the City's Capital Planning Committee.

The SFWG is composed of 11 members representing eight different City agencies as well as a private sector expert in public finance strategy. Given the many City services that the Seawall supports (transportation, businesses, etc.), the SFWG was intentionally created to include individuals with diverse expertise and service concerns.

The SFWG is comprised of the following members:

- Brian Strong – *Chief Resilience Officer*, Office of the City Administrator, Office of Resilience and Capital Planning (Chair)
- Raven Anderson – *Fiscal and Policy Analyst,* Mayor's Office of Public Policy and Finance
- Sonali Bose – *Director of Finance and Information Technology,* Municipal Transportation Agency
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- Meghan Wallace – *Finance and Procurement Manager,* Port of San Francisco

This report was written by Tom Cassaro, San Francisco Fellow with the Office of Resilience and Capital Planning, with guidance and assistance from the 11 members of the SFWG and other acknowledged Port and City staff. The contents and recommendations of the report were developed over the course of ten meetings between November 2016 and May 2017.

[2] At the time of SFWG creation in November 2016.

SAN FRANCISCO'S GREAT SEAWALL

History of the Seawall

San Francisco's Great Seawall (Seawall) provides the foundation of the waterfront from roughly Fisherman's Wharf in the north to Mission Creek in the south. Constructed between 1879 and 1916, all of the activity along the northern waterfront today is made possible by the Seawall at its base. The construction of stable piers and viable landings for the shipping industry laid the infrastructural foundation for the City's thriving maritime economy through the first half of the twentieth century. The Seawall transformed three miles of shallow tidelands into a world-class maritime waterfront that was key to the development and prosperity of San Francisco.

Constructed hundreds of feet off the natural shoreline, the Seawall was built by dredging a trench through the mud – 100 feet wide and 20 feet deep – filling that trench with rock and rubble, capping the fill with a timber pile bulkhead wall and wharf, and then filling the area landside. More than 800 acres of land were filled behind the wall in this way over time, extending the footprint of the City to the water's edge.

The Seawall and bulkhead wall provide the foundation for pile-supported bulkhead wharves and buildings built on top of the created deck areas, notably the historic bulkhead buildings that make up the Embarcadero Historic District. The Historic District was listed on the National Register of Historic Places in 2006 and is considered significant in the areas of government, commerce, transportation, engineering, labor, architecture, and community planning. The district includes 47 contributing resources, including three miles of Seawall and bulkhead wharf that where constructed in 21 individual sections. Figure 1 shows the extent of the Embarcadero Historic District along the northeastern waterfront in addition to other historic resources.

Figure 1: Waterfront Historic Resources

The Seawall and Waterfront Today

An essential part of San Francisco's identity, the northeastern waterfront is home to businesses both large and small, a National Historic District, a cosmopolitan downtown, the hub of a regional transportation network, parks and open space such as the Embarcadero, and a thriving tourism industry.

The Port of San Francisco alone is home to over 200 business tenants who provide employment to San Franciscans as well as workers from around the Bay Area. One out of every eight jobs in the Bay Area is located in downtown San Francisco, and in order to support this job density, approximately 1.1 million people enter the City each weekday. Of these, 440,000 arrive by boat at the Ferry Building or through the Transbay Tube on Bay Area Rapid Transit (BART). In addition, the Muni metro system registers over half a million daily boardings on routes that terminate downtown. These transportation facilities also support the City's extensive convention, shopping, and hospitality district centered at Union Square. Without this transit capacity, the Bay Area would come to a standstill.

SEAWALL TODAY

- Supports historic piers, wharves, and buildings.
- Underpins major tourist destinations on the waterfront.
- Serves as a critical emergency response and recovery area.
- Supports BART, Muni, and ferry transportation networks.
- Provides flood protection to downtown San Francisco businesses and residents.
- Protects citywide utility networks located along the waterfront.

The Seawall also supports the area’s numerous parks and open spaces that ensure equitable access for all to the San Francisco Bay. Recreation, restaurants and food vendors, businesses, commercial fishing, tourism, transportation, and the natural environment converge, bringing an estimated 24 million people to the waterfront each year.

Lastly, the waterfront serves as a crucial emergency response area. Following a catastrophic earthquake, if bridges, highways, and/or BART are not operating, the region will rely on water transportation at the Port to move large numbers of people into and out of the City. In addition, Port parks, open spaces, and parking lots will be in demand for staging people, equipment, and commodities. Finally, the Embarcadero roadway is one of the City’s Priority Routes as defined by the Public Works Department and the Department of Emergency Management. As one of the only thoroughfares stretching almost the entire length of the City, the Embarcadero is vital for first responders to reach residents and serves as an evacuation route.

It is worth noting that the Seawall is important in particular to the City's most vulnerable populations who would be disproportionately impacted by disruptions on the waterfront. Residents from lower socioeconomic backgrounds heavily rely on the utility and transportation networks that would be disrupted should the Seawall fail during a seismic or flooding event. A third of all BART riders and half of Muni's riders are characterized economically as low-income, and both systems enable large numbers of lower-income workers to commute to their jobs from neighborhoods and communities across the Bay Area. The City understands that today's challenges will only worsen with tomorrow's disruptions and that the vulnerabilities described above will be most disruptive for those who depend on government services and public infrastructure for safety and support.

Identification of Vulnerability

The City first became aware of the vulnerability of the Seawall as a result of the 2014 Interdependency Study[3] conducted by the City's Lifelines Council, which brings together representatives from the City's public and private utilities to prepare for post-disaster reconstruction and recovery. In this report, the Seawall was listed as one of the five most critical emergency response and safety issues, and the Study recommended a more detailed risk assessment be conducted.

[3] Lifelines Interdependency Study I Report, April 2014, http://sfgov.org/orr/sites/default/files/documents/Lifelines%20Council%20Interdependency%20Study.pdf.

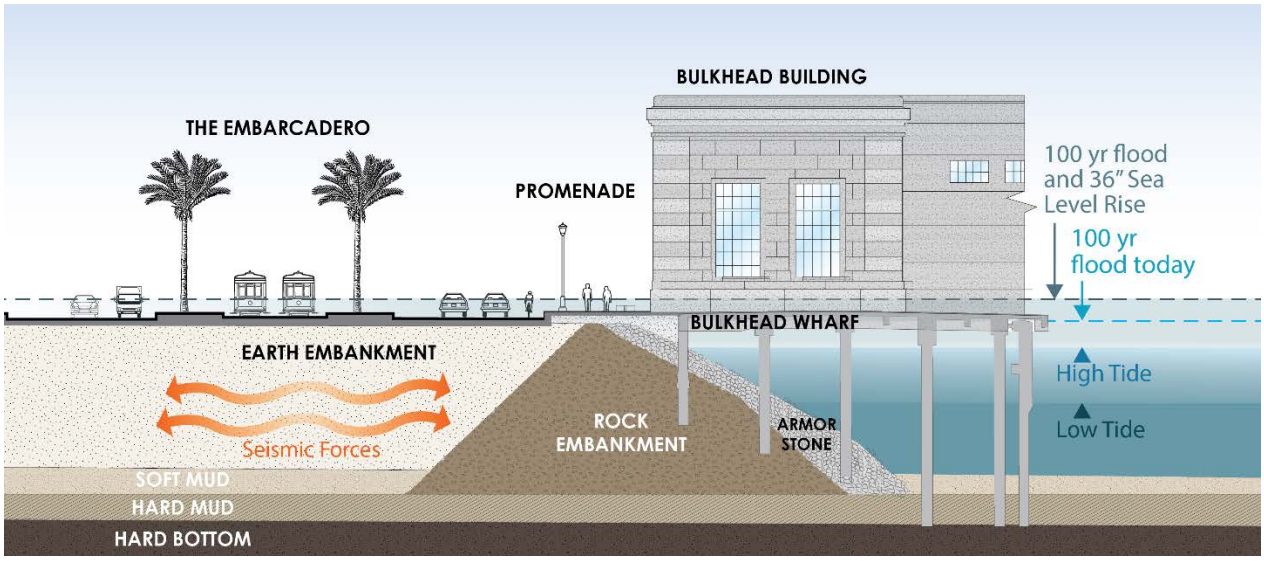
In 2016, the Port completed an earthquake vulnerability study[4] that indicated that most of the waterfront is highly susceptible to earthquake damage associated with Seawall movement and localized failure of the bulkhead. The Study shared the following findings:

- The Seawall was built prior to the development of engineering techniques that account for seismic risks and liquefaction, a phenomenon where the soil loses strength and behaves similarly to a liquid. Fill that was used to create the land behind the Seawall is susceptible to liquefaction, and large earthquakes will likely cause most of the Seawall to settle and move outward toward the Bay. Figure 2 depicts the seismic risk to the Seawall.

- Seawall movement will significantly increase earthquake damage and disruption along the waterfront to historic bulkhead wharf structures and piers. Within the Embarcadero, this will increase damage to utilities, the Embarcadero Promenade and roadway, and Muni light rail tracks.

- Earthquake safety and performance of the Seawall should be improved, and sea level rise and climate change must factor into these decisions. Rising seas and climate change will necessitate intervention that may include major changes to the northern waterfront and the Seawall over the next 100 years. Figure 3 shows how sea-level rise will threaten San Francisco through the year 2100 – the area between the blue line and the shore shows potential inundation that could result from extreme sea level rise plus a 100-year storm.

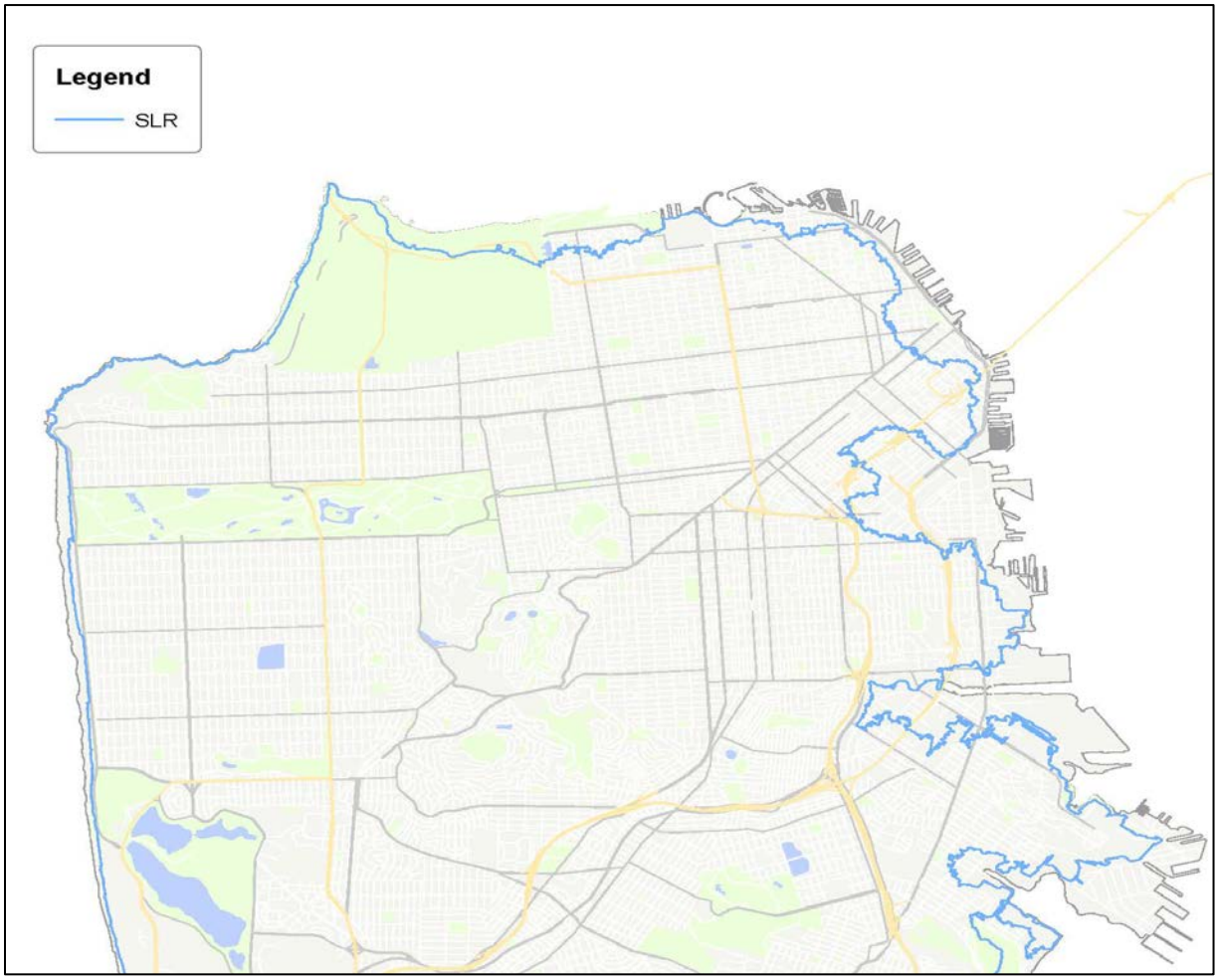
Figure 2: Seismic Risk to the Seawall



[4] Earthquake Vulnerability Study of the Northern Waterfront Seawall, Final Study, August 2016, https://sfseawall.files.wordpress.com/2017/01/posf-seawall-vulnerability-exec-summary-report-final.pdf.

In 2017, the Port also drafted a report analyzing the total economic activity and property value at risk from a breach in the Seawall.[5] Economic value was measured in terms of physical assets, business activities, and tax revenues. Physical assets included Port property, other public property, including roads and transit infrastructure, and private property. Property destruction would have the indirect impact of at least temporarily disrupting business and other economic activity. These disruptions would then result in reduced wages, business revenues, and subsequent reduced tax revenues to local, state, and federal agencies. The study concluded that there is between $24.6 billion and $102.1 billion at risk depending on the size of a seismic event and assumptions made on the level of sea level rise.

Figure 3: Sea Level Rise Vulnerability Zone Map



[5] Port of San Francisco Economic Value at Risk Analysis Draft Report, May 2017.

SEAWALL RESILIENCY PROJECT

In 2015 under the leadership of Mayor Lee, the Port of San Francisco launched the Seawall Resiliency Project (the Project), a major City and Port effort to significantly improve earthquake safety and performance of the Seawall, provide near-term flood protection improvements, and plan for additional long-term resilience and adaptation of the northern Bayfront.

With the guidance of the vulnerability study, Port engineers have identified several potential approaches to reinforce the Seawall, including: a) strengthening the ground below the Seawall, b) improving the ground landside of the Seawall, c) constructing a new Seawall, d) strengthening or replacing bulkhead walls and wharves, and e) relocating or replacing critical utilities.

SEAWALL RESILIENCY PROJECT GOALS

- Act as quickly as possible to address immediate safety risk.
- Reduce earthquake damage and disruption for critical facilities.
- Lower flood risk and create a stable foundation for ongoing sea level rise adaptation.
- Enhance the sustainability of the Embarcadero and Seawall, and improve the local Bay ecosystem around San Francisco.
- Respect San Francisco's iconic waterfront.
- Engage the San Francisco community in the City's first major sea level rise adaptation project.

Project Plan

Recognizing that a project of this magnitude will occur over several decades and require federal, state, and local permitting and funding, the Port Commission has approved two major phases to address the Seawall. Table 1 is an overview of the phases' schedules and budgets:

- **Phase I** would focus on seismic improvements to address the most critical life safety and flood risks at to-be-determined, isolated locations along the Seawall. Phase I is budgeted for $500 million in 2016 dollars and is currently underway, scheduled to finish by the end of 2025.
- **Phase II** would begin after 2025 and would potentially replace the entire three miles of the Seawall with all necessary seismic and sea level rise adaptation measures. This phase is estimated at $2-5 billion in 2016 dollars and could take more than 20 years to complete.

Table 1: Seawall Resiliency Project Plan

	Budget[6]	Duration	Start	Finish
Phase I Overview	$500 million	11 years	January 2015	December 2025
Vulnerability Study	$1.0 million	1.5 years	January 2015	June 2016
Planning	$8.5 million	2.5 years	July 2016	December 2018
Preliminary Design & Environmental Approvals	$25.5 million	2.0 years	January 2019	December 2020
Final Design & Construction	$465.0 million	5 years	January 2021	December 2025
Phase II Overview[7]	~ $5 billion	~ 20 years	January 2026	January 2046

COST PROJECTIONS

Note: Project cost estimates in this report are in 2016 dollars and do not take into account the time value of money. It is important to consider the influence inflation will have on the overall cost of repairing the Seawall over time.

While costs will escalate due to inflation all other things being equal, it is also fair to assume that revenue sources will also appreciate in a similar manner over the lengthy horizon planned for the Seawall improvements.

[6] Figures are in 2016 dollars.
[7] Preliminary timeline and budget of Phase II subject to change.

Current Funding and Remaining Need

Within Phase I over the next ten years, there is currently $355 million planned or proposed in funding for the Seawall Resiliency Project:

- The City's 10-Year Capital Plan for Fiscal Years (FY) 2018-2027 proposes a $350 million Seawall Fortification General Obligation (G.O.) Bond be placed on the ballot for voter consideration in November 2018.
  Note: Although the G.O. Bond is discussed in further detail below as a recommended funding source, it is noted here as efforts are already underway to pursue this strategy.

- $4 million from the City's Capital Planning Fund, which is a revolving fund that supports critical project development and pre-bond planning. This $4 million would be reimbursed by the G.O. Bond proceeds if the Bond receives voter approval.

- $2.9 million from the Port and approximately $1 million each from the Metropolitan Transportation Agency (MTA) and Planning Department.

Table 2 shows that these sources fund Phase I of the Project through the end of FY 2022, but a funding gap of $145 million is needed by FY 2023. In addition, Phase II has a gap of up to $5 billion. The objective of the Seawall Finance Work Group is to provide guidance on both the immediate Phase I need of $145 million (assuming the proposed $350 G.O. Bond) and the long-term Phase II need of up to $5 billion.

Table 2: Seawall Resiliency Project Phase I Current Funding in 2016 Dollars

	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 23-26	Total
Funding Sources								
Port Capital	2.9							$2.9
City Revolving Fund	1.0	3.0	-4.0					$0.0
MTA Contribution	0.5	0.5						$1.0
Planning Department Contribution	0.5	0.3	0.3					$1.0
2018 General Obligation Bond			6.7	7.2	18.6	19.7	297.8	$350.0
Total Planned Sources	**$4.9**	**$3.8**	**$3.0**	**$7.2**	**$18.6**	**$19.7**	**$297.8**	**$354.9**
Uses of Funds								
Project Staffing	0.6	0.9	0.9	0.9	0.9	1.0	4.8	$10.0
Public Outreach		1.0	0.6	0.4				$2.0
Planning		5.3	2.4					$7.7
Preliminary Design/Entitlements				5.8	7.9	3.9		$17.6
Final Design & Engineering					5.0	10.1	28.6	$43.7
Construction					4.8	4.8	409.5	$419.0
Total Estimated Uses	**$0.6**	**$7.2**	**$3.9**	**$7.2**	**$18.6**	**$19.7**	**$442.9**	**$500.0**
Cumulative Balance	**$4.3**	**$0.9**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**-$145.1**	**-$145.1**

METHODOLOGY

48 Sources Analyzed

The SFWG held ten meetings between November 2016 and June 2017 to develop analysis of potential funding strategies and ultimately prepare a specific set of recommendations for the City and the Port to consider.

Given the vast need for a project of this magnitude, the SFWG was convened with the understanding that the City will not have the ability to fund the entire Project on its own and would have to find a funding solution that involves multiple strategies stemming from a diverse set of sources. When deciding which funding sources to analyze, the SFWG understood that this Project not only affected the Port and waterfront activities but also affected services such as transportation, public utilities, businesses, and the tourism industry, and thus considered funding sources typically reserved for other purposes. The SFWG ultimately came up with a list of 48 possible local, regional, state, and federal funding sources to analyze.

In the next section are the top 17 sources that the SFWG recommends the City pursue and of the 17 sources, nine sources that could currently produce meaningful proceeds for the Project. A complete list of the 48 funding sources that were analyzed can be found in Appendix A.

11 Criteria Definitions

The SFWG agreed upon and adopted 11 criteria to evaluate each of funding sources described in the next section. Table 3 lists the criteria and the agreed-upon definitions.

Table 3: SFWG Criteria and Definitions

Criteria	Definition
Source of Funds	The degree to which the funding strategy represents a new, non-City source of revenue, separate from the General Fund of the City or the Port.
Revenue Generating Potential	The range of revenue that each funding source could generate and the volatility of the funding source.
Cost of Funds	The cost of capital (borrowing cost) associated with the funding source.
Long Term Sustainability	The future availability of each funding source.
Flexibility of Funds	The level of restriction that is placed on what the funding source can be used for.
Timing	The amount of time needed to implement the funding strategy.
Tradeoffs for Other City Needs	The connection between the funding source and the Seawall and the degree to which using this funding source on the Seawall would limit its use on other City projects.
Political Feasibility at State/Federal Level	The likelihood of approval from the State and/or federal government.
Political Feasibility at Local/Regional Level	The likelihood of approval needed from regional stakeholders, the Board of Supervisors, the Mayor, and/or the relevant voters locally.
Administrative Complexity	The ease to which a funding source could be implemented and the degree to which the process is or is not under City control.
Equity/Cost Burden	The connection between those who bear the cost and those benefitting from an improved, resilient Seawall.

Vetting and Scoring Process

Over the course of five meetings, the SFWG discussed the possible funding sources in groups: state strategies, user fees, federal strategies, transportation-specific funding sources, local taxes and fees, value capture strategies, regional strategies, and other local strategies.

SWFG members scored each of the 48 funding sources based on the adopted evaluation criteria. Members ranked the relative strength of each strategy on a scale of green to red where green represented a strength of that funding strategy, yellow represented neither a weakness nor a strength, and red represented a weakness. Members could also register intermediate scores of red-yellow or yellow-green. In addition, the group could choose to dismiss a particular strategy and not evaluate it according to the criteria if it was deemed infeasible or not worthwhile by consensus. All 48 scoresheets can be found in Appendix C.

After all the funding strategies were analyzed, the scores were collected and a heat map was created to represent the strengths and weaknesses of each strategy. Each color was assigned a number on a scale of 1-5 where red = 1, red-yellow = 2, yellow = 3, yellow-green = 4, and green = 5 points. The heat map can be found in Appendix B.

All criteria were considered equally, except for Revenue Generating Potential, which the group decided to triple weight because of the profound influence of revenue to meeting the overall costs of the two phases. The scores were then averaged, and the funding strategies were sorted from highest to lowest scores.

In addition to this quantitative analysis, the SFWG also critically analyzed the top-rated sources qualitatively in follow-up discussions to ensure the usefulness of the scoring process. The SFWG reviewed the results with the following high-level considerations in mind:

- Revenue Generating Potential: How much revenue can this funding strategy realistically offer the Project given how long the funding source can last?

- Timing: When will funds from this strategy become available and will the funds available align with the need in time?

- Administrative Complexity: How complicated will it be to implement this strategy and is it under City control?

- Political Feasibility: How likely is it that this strategy can be passed at the federal, state, regional, and/or local level and is there a tradeoff in using this strategy on the Seawall Project instead of on another City need?

- Cost Burden: As a set of recommendations, are we distributing the Seawall's cost equitably among all those who rely upon it: residents, businesses, visitors, the Bay Area regionally, the State of California, and the U.S. federal government?

RECOMMENDED FUNDING SOURCES

After quantitative and qualitative analysis, the SFWG created three sets of recommendations: primary, secondary, and supplementary.

Primary and secondary recommendations come out of the top 10 rated strategies that were given a score of 4.00 or above (out of 5.00) through the scoring process. These top strategies, including nine unique sources, are the most promising. In follow-up discussions, the SFWG prioritized six strategies as primary recommendations, which the City should immediately pursue, and named the other three strategies as secondary recommendations that could still produce meaningful proceeds for the Project. A feasibility summary of the primary and secondary recommendations is presented in Table 4.

The SFWG also named eight funding strategies as supplementary recommendations due to either their small revenue generating potential or a low political feasibility. However, the SFWG recommended the Port still consider pursuing these sources given their relevance to the Project.

All the recommended strategies are described in greater detail below. They are discussed according to their strengths and weaknesses and the next steps needed to pursue them.

Note: Within the next three sections, the strategies are presented in alphabetical order and are not ranked in order of preference. The only exception is General Obligation Bonds, which is presented first because the Port and the City are already in the process of pursuing this strategy.

Table 4: Feasibility Summary of Recommended Strategies

Recommended Strategy	Revenue Generating Potential[8]	Timing[9]	Political Feasibility	Administrative Complexity	Cost Burden Constituency
Primary Recommendations					
Local – G.O. Bonds	$350 M One-time	Phase I Short-term	Likely	Not Complex	Local Property Owners
Local – Community Facilities District (CFD)	Variable, depending upon sizing of tax and area for taxation – Estimated $100 M (Leveraged) for each phase	Phase I/II Mid-term	Feasible	Somewhat Complex	Waterfront property owners and businesses
Local – Local Property Tax Increment Revenue from IFDs	Estimated $15 M (Leveraged) for Phase I $10 M (Leveraged) for Phase II	Phase I/II Short-term	Likely	Somewhat Complex	Port and their waterfront lease holders
State – State Property Tax Increment Revenue from IFDs	Estimated $50 M Leveraged for each phase	Phase I/II Short-term	Feasible	Somewhat Complex	State
State - State Resilience G.O. Bond	$50-150 M One-time	Phase I/II Short-term	Feasible	Not Complex	State
Federal - Army Corps of Engineers Funding	CAP 103: <$10 M GI New Start: <$5 B One-time	Phase II Long-term	Somewhat Feasible	Complex	Federal
Secondary Recommendations					
Local - Port Capital Contribution	$1 M Annually for next 10 years	Phase I/II Short-term	Likely	Not Complex	Port
Local - Sales Tax Increase	$50 M (Pay-Go) Annually $650 M (Leveraged) over 30 years	Phase I/II Mid-term	Somewhat Feasible	Not Complex	Residents, businesses, and visitors
Local – Tourism & Hotel Funding Sources	$7 M (Pay-Go) annually $78 M (Leveraged) over 30 years	Phase I/II Mid-term	Somewhat Feasible	Somewhat Complex	Businesses and visitors

Note: All Pay-Go numbers listed here and in the following sections are in 2017 Dollars.

[8] All numbers in this column have been generated by City staff. Further information on the sources are listed below under each strategy.

[9] Here, "short-term" denotes strategies that could yield funding within 1-5 years, "mid-term" is 5-10 years, and "long-term" is 10+ years.

Primary Recommendations

A. General Obligation Bonds

Background and Context

General Obligation (G.O.) Bonds are the lowest cost method for financing public improvements. G.O. Bonds are authorized by a super majority 2/3rds citywide vote. G.O. Bonds are repaid from property taxes – the basic property tax rate in California is 1%, and voter authorized G.O. Bond debt service is an annual ad volurem property tax on top of the 1% basic property tax rate. G.O. Bonds are the City's primary source of funding major capital projects, specifically local seismic safety projects.

The City's 10-Year Capital Plan for FY 2018-2027 proposes that a $350 million Seawall Fortification G.O. Bond authorization be placed on the ballot for voter consideration in November 2018.

Strengths of the Strategy	Weaknesses of the Strategy
• Revenue Generating Potential o $350 million proposed in the Capital Plan. o Most efficient and lowest cost in comparison to other public finance tools. o G.O. Bond credit carries the City's strongest ratings by Moody's, Standard & Poor's, and Fitch Ratings. o Most recent G.O. Bond rate was 2.99% – an historically low borrowing cost for long-term financing. • Administrative Complexity o The G.O. Bond Program is well-established in the City. • Timing o Dependent on election schedule – next election is November 2018. o Funds available in mid-2019. • Cost Burden o All property owners would be paying for a City asset through a property tax. o Use of debt spreads out the financial burden between current residents/businesses and future residents/businesses who will benefit from a public improvement with a long useful life.	• Political Feasibility o Competing City needs for a limited G.O. Bond Program capacity – current policy is new debt can be issued only as old debt is retired. o 2/3rds citywide vote needed for a project with narrow geographic boundaries. ➢ However, the City has a history of successfully passing G.O. Bonds. • Timing o Quick timeline leaves a short period to create a public outreach campaign.

Recommendation and Next Steps

The SFWG recommends the Port pursue a G.O. Bond as a primary source of funds for the Phase I need of the Project and therefore supports the $350 million Seawall Fortification Bond that was proposed in the City's 10-Year Capital Plan.

To implement this strategy, the Port and the City should begin researching public support for a Seawall G.O. Bond and prepare a public outreach campaign. As part of this effort, the Port should also work to develop the scope and finance plan for the Project to better assure the public that the Seawall Project has been properly planned and is worth supporting. As the Planning Phase of the Seawall Project progresses, the Port should also begin to draft a G.O. Bond Report to describe the specific scope of work the Bond will fund. In addition, the Port should begin working with the Board of Supervisors and the Mayor's Office to draft G.O. Bond legislation that will allow the Board to place the Bond measure on the ballot for the November 2018 election.

Given that G.O. Bonds are the City's preferred method in financing major capital projects, the SFWG also recommends the City consider a second G.O. Bond for the Seawall Project in future iterations of the Capital Plan. Whereas the 2018 G.O. Bond would focus on the seismic aspects of the Project, a future G.O. Bond could contribute to future sea level rise adaptations. A second G.O. Bond however would be dependent on debt capacity in the G.O. Bond Program.

Table 5: G.O. Bond Program from the FY 2018-2027 San Francisco Capital Plan

G.O. Bond Debt Program
(in $millions)

Election	Proposed Program	Amount
November 2018	Seawall Fortification	$350
November 2019	Parks and Open Space	$185
November 2020	Earthquake Safety & Emergency Response	$290
November 2022	Public Health	$300
November 2024	Transportation	$500
June 2025	Parks and Open Space	$185
November 2026	Earthquake Safety & Emergency Response	$290
TOTAL		$2,100

B. Community Facilities District

Background and Context

A Communities Facilities District (CFD) is a special district authorized by the Community Facilities Act of 1982 where a special tax on real property, on top of the basic property tax, is imposed on taxable property within the District. The special tax can fund the planning, design, construction, or improvement of public infrastructure and some public services. Flood protection is specifically designated as an eligible CFD use. The boundaries of a CFD are flexible; they do not need to be contiguous, and additional areas can be annexed into the district, all subject to vote as described below.

The special tax must be approved by a super majority 2/3rds vote of special district registered voters. If there are fewer than 12 registered voters in a proposed district, a 2/3rds super majority vote of district property owners or leasehold interests can authorize the imposition of the special tax to support bonded indebtedness for public infrastructure improvements.

These districts seek public financing through the sale of bonds to finance public infrastructure improvements. The CFD annual special tax is used to make the payments of principal and interest on the bonds typically amortizing the bonded indebtedness over the life of the infrastructure improvement. There is no requirement that the tax be apportioned based on benefit received or that a uniform tax rate be levied throughout the entire CFD – there is however an explicit prohibition from apportioning the tax based on property value. A higher tax rate could conceivably be levied on properties closer to the improvements than on properties farther away.

Community Facilities Districts vs. Assessment Districts

During the evaluation process, the SFWG considered CFDs alongside a similar financial tool, an Assessment District (AD), which is also used to finance the cost of long-lived public improvements by spreading the burden for repayment across specific properties. As compared to a CFD that creates a tax, an AD creates a special benefit assessment that is engineered to match the specific cost of the public improvement benefitting the private property. An AD employs an engineer to spread the specific benefit of public improvements over properties enjoying that benefit. ADs are approved by a simple majority vote of property owners receiving the specific benefit.

While ADs are simpler to understand, it is challenging to engineer and assign seismic and sea level rise abatement benefits to property owners. Therefore, a CFD would be an easier tool to use when considering spreading the cost of improvements over a defined geographic area. The SFWG scored both the AD and the CFD highly in the evaluation process. Given the similarity of the two tools, the SFWG believed that the CFD would be the better strategy for the City to pursue for this Project. Only the CFD is discussed below in detail.

Strengths of the Strategy	Weaknesses of the Strategy
• Revenue Generating Potential[10] o Proceeds depend upon the tax rate and area established for taxation, potentially estimated at $100 million leveraged for each phase. o For example, a tax of $0.10 per square foot on the maximum area would generate an estimated $6 million in annual revenues and $87 million leveraged. o The City would have to set the tax rate low enough so that property owners viewed the overall property tax burden fair. o CFD bonds have a low cost of funds – they are highly regarded by the investor market and produce a low interest rate. • Timing o Could be created to address specific phases of the Project or be ongoing. o Well-suited to finance the long-lasting aspects of Phase II, including sea level rise adaptations. • Cost Burden o Property owners and businesses closer to the waterfront benefit more than the average resident from a fortified Seawall.	• Political Feasibility o Board needs to call for a vote. o 2/3rds approval is needed of district registered voters. o Public outreach campaign needed for public buy-in. ➢ The City could make a strong case to voters that a CFD is in their best interest to protect their property from sea level rise. • Timing o Could take several years to establish the CFD or CFDs, perform public outreach, and conduct an election. o Could begin collecting revenue in the mid-term: 5-10 years. • Administrative Complexity o Port study needed to determine the exact boundaries of a CFD and establish the administration of a CFD. o The City and Successor Agency have used CFDs but never this type of CFD.

Recommendation and Next Steps

The SFWG recommends the Port work with the City to create a CFD to fund adaptive and seismic mitigation measures on the Seawall. This recommendation comes after considering an Assessment District and determining that a CFD would be the stronger option.

A CFD should be created to cover a waterfront zone where the threat of sea level rise is most expected. The City should perform an in-depth analysis to determine the financial impacts of creating a CFD and to determine its precise geographic boundaries. The City and the Port should also consider creating a CFD that institutes different tax rates on properties depending on the distance to the waterfront to weight the cost burden amongst waterfront property owners or owners of Port leasehold interests.

In addition to its preparation for a 2018 G.O. Bond, the Port and the City should plan a public outreach campaign specifically focused on waterfront property owners within a potential CFD. The campaign should demonstrate that these voters will be most impacted by sea level rise in the future and will benefit the most from a fortified Seawall, while pointing out that all San Francisco property owners will be contributing to this effort via the Bond.

[10] Source: Port and Office of Public Finance staff.

C. Local Property Tax Increment Revenue from Infrastructure Finance Districts (IFDs)

Background and Context

Under SB 1085 (1995) the Board of Supervisors obtained the power to form an Infrastructure Finance District (IFD) on Port property to pay for public improvements and historic rehabilitation using the City's share of property tax increment revenue growth. Subject to Board of Supervisors approval, the Port could capture the City's share of growth in tax increment revenue from new development to fund improvements to the Seawall.

In California, property taxes are collected and divided among cities, counties, special taxing entities, and the State of California, which collects funding for the State's Educational Revenue Augmentation Fund (ERAF). San Francisco is a city and county and thus collects approximately $0.65 of every property tax dollar (City's share). In San Francisco, the State collects approximately $0.25 of every property tax dollar for ERAF (State's share). The remaining $0.10 of each property tax dollar funds the San Francisco County Education Office, BART, and the Bay Area Air Quality Management District.

IFDs can allocate tax increment revenues for 45 years to fund the planning, design, improvement, construction, or rehabilitation of properties with an estimated life of 15 years or longer. These properties include but are not limited to highways, transit, water systems, sewer projects, flood control, parks, etc. SB 1085 permits spending tax increment revenue on Port-specific improvements including wharves and piers, environmental clean-up, and utilities on Port property. The facilities must have community significance and provide significant benefits to an area larger than the district.

Since an IFD has already been approved and created over Port property, the Board of Supervisors would have to vote to approve an Infrastructure Financing Plan (IFP) and dedicate the City's share of future tax increment growth from a particular Port development project to the Seawall Project. Separately, the Port is pursuing a public planning process to update its Waterfront Land Use Plan. That effort is examining the use of IFD tax increment as a source to rehabilitate piers, along with private investment and federal historic tax credits. Where the Port requires tax increment to make a project financially-feasible, there would be no excess tax increment to finance the Seawall Project. It is conceivable that the added costs of improving the Seawall could be affordable to developers of some piers; further analysis of these options will be required.

Currently the Port has identified the Teatro ZinZanni Project – a proposed hotel project on land (as opposed to on a pier) – as a new development project that could contribute funds to the Seawall Project. The Teatro Project will include a 40-foot boutique hotel, retail and commercial spaces, and a new, privately-funded public park and ground area.

Strengths of the Strategy	Weaknesses of the Strategy
• Revenue Generating Potential o The Teatro Project could generate an estimated $15 million leveraged for Phase I and an estimated $10 million leveraged for Phase II.[11] o Other Port development projects could be identified in the future to fund the Project. • Political Feasibility o An IFD already exists over Port property, and the mechanism is in place to dedicate funds. o Port would have to create an IFP and have the Board approve the process. o Current Board polices state that excess Port IFD funds have to be used on the Seawall and sea level rise-related expenditures. • Timing o Could contribute funds within five years. • Cost Burden o Port and their waterfront lease holders would be paying for a project that directly affects their property.	• Revenue Generating Potential o IFDs are intended to generate revenue in underdeveloped areas that will undergo significant construction; much of Port property is already developed. o Competing with already established Port capital needs. • Political Feasibility o Port needs to balance the priority of this Project with other capital needs for this funding source. • Timing o Limited contribution time – IFDs do sunset after 45 years. • Administrative Complexity o Complex to create an IFP and dedicate the funds to a given project.

Recommendation and Next Steps

The SFWG recommends the Port uses funds from Infrastructure Finance Districts (IFDs) over new development areas on Port property (particularly on land) to fund the Seawall Resiliency Project. Currently Port staff estimate that tax increment revenue on the Teatro ZinZanni hotel development project could generate an estimated $15 million leveraged for Phase I and $10 million leveraged for Phase II.

The SFWG recommends the Port research local political support for an IFP that would capture tax increment revenue from the Teatro ZinZanni project for the Seawall. The Port would then draft the IFP, amend the existing Board-adopted Resolution of Intent to form an IFD to include the Teatro project, and draft an ordinance adopting the IFP. The Teatro Project schedule envisions entitlement in 2017, construction in 2018, and occupancy in 2019. Allowing some time for the increment to reach the tax rolls, bonding capacity may be available in 2020 or 2021, keeping in mind that there have been no IFDs offered in the financial market to date.

The SFWG recommends the Port also identify other development projects along Port property that could be used to collect property tax increment revenue to fund the Seawall Project over the life of the Project.

[11] Source: Port staff.

D. State Property Tax Increment Revenue from IFDs

Background and Context

The Port could assist in developing State law to capture the State's share of property tax growth in Infrastructure Finance Districts (IFDs) on Port property to fund Seawall improvements.

Precedent was set with the adoption of AB 1199 (2010); the State Legislature approved the Port's capture of the State's share in addition to the City's share as part of a Pier 70 IFD to rehabilitate Pier 70. The Port could request a similar bill to capture the State's share of property tax growth on additional Port property to fund the Seawall Project. This strategy could increase, by approximately 40%, funding available from Port IFDs, as discussed above in the *Local Property Tax Increment Revenue from IFDs* strategy.

In addition, the Port could seek to use the State's share from Port IFDs in instances where the City's share is already dedicated to another project. One example would be the proposed Mission Rock development, which includes plans to use the City's IFD share to support the development's infrastructure. If the Port were able to capture the State's share, the Mission Rock Project would generate a substantial amount of property tax increment revenue for the Seawall. The Teatro ZinZanni Project (mentioned above) could be considered for State's share as well.

Strengths of the Strategy	Weaknesses of the Strategy
• Revenue Generating Potential[12] o The Mission Rock Project could generate an estimated $50 million leveraged for Phase I and an estimated $50 million leveraged for Phase II. o The Teatro Project could generate up to an additional $5 million in Pay-Go. • Timing o Obtaining approval from various key State stakeholders could happen within a few years. o Strategy based on receiving incremental property tax – funds could be available within 5 years. o Could contribute to Phase I and Phase II. • Cost Burden o Seawall is an important regional and State asset – State should contribute funds. o The State of California originally constructed the Seawall.	• Political Feasibility o Takes funds that would otherwise go to the State budget. o Requires political approval from State Legislature and Governor's Office. ➢ However, precedent was set with 2010 bill on Pier 70 IFD. ➢ Opportunity to model how to encourage local investment in climate adaption. • Timing o Funds subject to development progress. • Administrative Complexity o Coordination necessary with the State in the legislative phase and then, if successful, administrative management will need to be monitored closely.

[12] Source: Port staff.

Recommendation and Next Steps

The SFWG recommends the Port pursue legislation obtaining the State's share of property tax increment revenue in Port Infrastructure Finance Districts (IFDs) on Port property. The SFWG believes that this strategy could result in approximately $100 million over 30 years. If pursued on a quicker timeline, this strategy could generate an estimated $50 million for Phase I need in addition to contributing later to the Phase II need.

The Port has identified three different types of State legislation through which the Seawall Project could receive State's share funding:

- **Statewide bill:** Authorizes the use of the State's share of IFD tax increment with a local match for shoreline resiliency projects statewide, with oversight by the California Natural Resources Agency, the California Seismic Safety Commission, and the California Department of Finance. To qualify, a local community would have to demonstrate a balanced funding plan including local and state funding and evidence of efforts to obtain available federal funding. Any IFD in an already developed area with residents would require a vote of the people, per current IFD law. Because Port property is publicly owned with no current residents, only the Port would need to vote.
- **District bill:** Provides the power to collect the State's share for the Seawall and sea level rise, based on the argument that seismic risk compels the City to act now and to simultaneously address near-term flood risk from sea level rise through 2050-2060. The City could be required to submit a report on its Seawall Project to the California Natural Resources Agency, the California Seismic Safety Commission and the California Department of Finance.
- **Hybrid bill:** One part of the bill would provide San Francisco with the State's share for the Seawall and sea level rise mitigation, require San Francisco to match the State's share with local sources, and establish reporting requirements to the California Natural Resources Agency, the California Seismic Safety Commission, and the Director of Finance. A second part of the bill would study options for funding sea level rise protection in developed areas, including the State's share of IFD and other sources. The California Natural Resources Agency and California Department of Finance would report to the Legislature on recommendations for funding sea level rise adaptation in the at-risk area.

The Port should continue conducting outreach to State stakeholders in both the Legislature and the Governor's Office to build support for a State share funding strategy and then further engage these stakeholders to decide which of the three bill options presented above would be most effective for the Seawall Project. Developing a broad coalition with a clear statewide interest may be most effective.

E. State Resilience General Obligation Bond

Background and Context

The State of California has previously authorized General Obligation (G.O.) Bonds to fund seismic safety projects statewide. Unlike G.O. Bonds at the local level, these statewide bonds are authorized by a simple majority vote, and funding to repay the bonds is paid out of the State's General Fund rather than a new tax levy. If approved by voters, California municipalities would apply for specific funding allocations.

The most recent successful State G.O. Bonds were passed in 2006. As approved by the voters in the November 2006 general elections, Proposition 1B enacted the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize $19.9 billion of State Bonds for various transportation-related purposes.

At the writing of this report during the 2017-2018 legislature session, two possible vehicles for a 2018 State Resilience G.O. Bond have been introduced – SB 5 (de Leon) and AB 18 (E. Garcia). These bills have approximately $3 billion proposed for the overall bond and $400 million and $600 million, respectively, reserved for "Climate Preparedness, Habitat Resiliency, Resource Enhancement and Innovation," which could include the Seawall Resiliency Project. Both these bills are proposing that a G.O. Bond would go before voters statewide in June 2018.

Strengths of the Strategy	Weaknesses of the Strategy
• Revenue Generating Potential o Allocations in the range of $50-150 million – but amounts are uncertain. o Could complement the City's G.O. Bond to fill the Phase I need gap. • Timing o Currently slated for the 2018 election; funds could be available shortly after. • Administrative Complexity o Assuming the Bond passes, relatively straightforward once funding is awarded. • Cost Burden o Seawall is an important regional and State asset – State should contribute funds. o The State originally constructed the Seawall. • Political Feasibility o A June 2018 State G.O. Bond would complement the City's proposed November 2018 G.O. Bond, an opportunity to develop mutually beneficial outreach while demonstrating the City's local commitment to this project.	• Political Feasibility o Requires political approval from State Legislature and Governor's Office. o Still moving through the Legislature and may be vetoed by the Governor due to concerns about the State's debt load and pending federal funding cuts. o Strong competition even if it passes. • Timing o Quick timeline leaves a short period to advocate for the Seawall Project's inclusion in the bill. • Administrative Complexity o Some upfront work needed to advocate for the Seawall Project's inclusion in the bill.

Recommendation and Next Steps

The SFWG recommends the Port try to secure funding for the Seawall Project as part of a State Resilience General Obligation Bond and therefore supports the Port's current efforts to advocate for the inclusion of the Seawall Project as a funded project under SB 5 (de Leon) and/or AB 18 (E. Garcia). If the Port can succeed in getting the Seawall Project as a named project with dedicated funding, a State G.O. Bond could lead to an allocation for the Seawall Project from $50 to $150 million and could be a primary funding source for the remainder of the Phase I need.

The Port should continue conducting outreach to State stakeholders, especially the City's state representatives, to secure support for the bills and the inclusion of significant funding for the Seawall Project. The Port should also be sure to incorporate the State Bond into their outreach campaign for the local Seawall G.O. Bond to ensure public support for both efforts in 2018.

Lastly, if the Seawall Project cannot be funded through these specific State Bond efforts this legislative session, the SFWG recommends the Port pursue this strategy again in a couple of years. Even if a State Resilience Bond is not successful in 2018, it could lay the foundation for future State bills to fund the backlog of State seismic and climate adaptation needs. Over the long life of the Seawall Project, the Port should monitor the State's discussion of resilience bonds to see if there could be future opportunities to provide funding for the Seawall.

Note: SB 5 and AB 18 currently propose funding for several infrastructure needs in addition to climate resiliency including parks and recreation, waterway improvements, wildlife conservation, and coastal protection. As of the writing of this report, the specific allocations for each program are still being determined and are subject to change. The Port should track these bills carefully as they move through the Legislature and work with other City entities who could be interested in these State Bonds to ensure that lobbying for Seawall Project funding does not come at the loss of funding for other City projects.

F. U.S. Army Corps of Engineers Funding

Background and Context

The Port could pursue funding from the U.S. Army Corps of Engineers (USACE). The USACE executes water resource projects in partnership with local agencies when there is a federal interest. The typical vehicle is a General Investigation (GI) authorized by Congress. For small-scale projects, Congress provides USACE with the discretion to work without specific congressional authorization under one of USACE's Continuing Authorities Programs (CAP).

For General Investigations, USACE has two primary legislative vehicles for funding flood control projects: the Water Resources Development Act (WRDA), under which Congress *authorizes* federal funding for federal flood control projects, and the Energy & Water Appropriation bill, through which Congress *appropriates* federal funding for federal flood control projects which have previously been authorized.

The process to obtain this type of federal funding is extended and typically spans four consecutive legislative acts of Congress, often over a decade or more. USACE typically will study an area through a new GI authorized by Congress or through a previously authorized study. USACE will examine flood risk and calculate the economic value at risk from a predictable flooding event. If the economic value at risk substantially exceeds the cost of the project, USACE will make a federal interest finding, which is necessary to support a USACE Chief of Engineer's Report to Congress recommending federal funding.

Port staff initiated a request to USACE to examine the flood control along the San Francisco waterfront several years ago. In November 2016, the Port received a report from the USACE San Francisco District Office with a finding of federal interest in a federal project to address flood risk along a portion of the Embarcadero near the Ferry Building under the CAP 103 Program.

Strengths of the Strategy	Weaknesses of the Strategy
• Revenue Generating Potential o CAP 103 could fund up to $10 million. o GI Projects are only limited by the City's ability to provide a 1/3 match. o WRDA authorization would ideally encompass the entire Seawall Project Phase II need, which could result in $1-3 billion in funding. • Administrative Complexity o If approved, administration of funds is simple given that USACE would be the lead agency. • Timing o Long-lasting source, good fit for Phase II. • Cost Burden o Seawall is an important asset of federal interest. o Funds from existing federal programs.	• Political Feasibility o Future funding for a GI is contingent upon a future WRDA authorization and future appropriations in the federal budget. o Local and State political approval feasible, but federal approval is uncertain given the many congressional sessions that would be required to approve the Project. • Administrative Complexity o Long, complex process to secure USACE authorization and then appropriation. o Concern about scope control given that USACE would be the lead agency. • Timing o Long-term strategy – 10 years or longer before funds are available and construction begins.

Recommendation and Next Steps

The SFWG recommends the Port pursue federal funding for the Seawall Project through a USACE General Investigation (GI) and therefore supports the Port's efforts to date to engage with the CAP 103 Program to provide for improvements on a limited part of the Seawall. USACE funding could be a primary funding source for Phase II of the Project.

There are three stages to the CAP 103 Program process and below is the Port's progress to date:

1. Initial Evaluation of Federal Interest – Complete.
2. Enter into Cost-Sharing Agreement to Study the Project (18 months) – Pending.
3. Partnership Agreement – Upon determination of a project, this agreement would formalize the local match to construction.

Working through the CAP 103 Program could also lead to further GI funding, which could yield billions of dollars. A project funded through CAP 103 would be a small flood control project with a narrow scope. However, the USACE report of federal interest for the CAP 103 Program also recommends a GI feasibility study to address flood problems along the entire San Francisco waterfront. This finding represents a positive step toward a potential USACE GI, which is a required step toward obtaining federal authorization in WRDA for substantial federal funding for the Project.

The following represents the Port's current progress towards securing USACE GI funding:

1. WRDA Study Authorization – Complete, the Seawall was considered under a larger shoreline study in the 1980 WRDA.
2. Appropriations to fund the Feasibility Study – The Port is preparing to self-fund the $3 million study and working to be considered for USACE funding, which would require a 50% local match. New guidance from USACE based on the 2016 WRDA indicates that it may be possible to pay USACE to conduct the analysis, in lieu of obtaining a Congressional appropriation, which would be subject to approval by the USACE Assistant Secretary of the Army.
3. WRDA Project Authorization – If the Port can demonstrate a high-scoring cost/benefit ratio project, the Port would aim for a 2018 or 2020 WRDA bill.
4. Construction Appropriations – The Port would work to align itself to be considered for USACE funding after the 2018 or 2020 WRDA bill, which would require a 33% local match.

As these processes proceed, Port staff should also be sure to keep the Mayor's Office and the Board of Supervisors updated on any progress since local support will be important for any eventual USACE partnership. Port staff should also keep the City's State representatives, the Governor's Office, and key State stakeholders briefed on any progress to lay groundwork for their support later in the federal process.

Secondary Recommendations

G. Port Capital Contribution

Background and Context

Port lands were owned and managed by the State of California until the State Legislature approved the Burton Act in 1968, granting these lands to the City and County of San Francisco and establishing the San Francisco Port Commission. Today the Port of San Francisco is responsible for the 7.5 miles of San Francisco waterfront adjacent to San Francisco Bay, from Hyde Street Pier on the north to Heron's Head Park in Bayview-Hunters Point and includes 205 acres on the waterside and 629 upland properties. Port lands must be used in a manner consistent with public trust principles for the benefit of all California citizens, to further navigation and maritime commerce, fisheries, public access and recreation, environmental restoration, and commercial activities that attract the public to the waterfront.

All revenues generated from Port operations must be directed to the Port's Harbor Fund for uses that support the public trust. The Port's operating portfolio is composed of approximately 600 ground, commercial, retail, office, industrial, and maritime leases, including leases of many internationally recognized landmarks such as Fisherman's Wharf, Pier 39, the Ferry Building, and AT&T Park, home of the San Francisco Giants baseball team. The Port uses revenues from these operations to support seven operating divisions, including Maritime, Real Estate & Development, Planning, Engineering, Finance & Administration, and Executive, all of which support the Port's efforts to meet its public trust obligations. Additionally, the Port strives to prioritize investments in its facilities by dedicating at least 25 percent of its operating revenues each year either directly for capital projects or for a set-aside fund for future capital needs.

Despite efforts to address the Port's capital needs, the 10-Year Capital Plan identifies a $910.2 million unfunded need in deferred maintenance and renewal investments. It is imperative to the Port's financial well-being to direct available Harbor Fund revenues into facilities that are the source of income to the department. Shouldering the $145 million Seawall funding need in Phase I and the larger need of up to $5 billion in Phase II would derail the Port's ability to address other facility renewals.

Nonetheless, the Port is fully committed to delivering the Seawall Resiliency Project and has dedicated financial resources as well as staff towards the effort. The Port funded an initial study to determine the vulnerabilities of the Seawall and has contributed $2.9 million to the Project to-date. Additionally, the Port will dedicate an estimated $6-9 million in operating resources towards its effort over the next 10 years.[13] The Port also recognizes that future capital investments may be required to bridge the funding gap; if so staff would strive to prioritize additional capital resources to dedicate to this essential Project.

[13] Assuming SF Public Works and Municipal Transportation Agency overhead rates.

Strengths of the Strategy	Weaknesses of the Strategy
• Revenue Generating Potential o Port has contributed $2.9 million to the Project to date. o Port will dedicate an estimated $6-9 million in operating resources towards its effort over the next 10 years – approximately $1 million annually. • Timing o Already contributing to the Project. o Port has planned its Phase I contribution. o Can also contribute to Phase II. • Administrative Complexity o Not complex – Port staff can direct funds within its own capital program for this Project. • Cost Burden o The Port is the City agency responsible for maintaining the waterfront and the Seawall and should contribute resources to the Project. o Port land is vulnerable to flooding and will be affected by sea level rise.	• Revenue Generating Potential o Port cannot solve the existing funding need of this Project alone, and resources in the future will be limited. • Political Feasibility o Port has $910.2 million in identified unfunded need for deferred maintenance and renewal investments currently. o Port needs to balance the needs of this Project with other capital needs. • Cost Burden o If Port overcommits budget to this Project, other Port projects will not be completed.

Recommendation and Next Steps

The SFWG recommends the Port continue to dedicate funds and resources to the Seawall Project, where possible. The SFWG supports the Port's efforts to date to fund and staff the Project and to create a plan to dedicate $6-9 million for Phase I.

The SFWG recognizes that if the Port adopts some or all the recommendations listed in this report to fund the Project then they would not be able to address other Port needs. For example, the strategies involving local and State share of property tax increment have historically been used to fund other Port capital projects, and so the Port is contributing resources by prioritizing these funding sources on the Seawall Project.

The SFWG also recommends the Port continue to explore ways to prioritize the Seawall Project amongst their many capital needs, especially once the Project enters Phase II and the funding need significantly increases.

H. Sales Tax Increase

Background and Context

The City could ask voters to increase the local sales tax to support funding the Seawall Project. The current sales tax rate is 8.5% which is composed of: 7.25% in State taxes, of which the City receives 1.25%; and 1.25% in local sales taxes that fund the Bay Area Rapid Transit District (BART), the San Francisco County Transportation Authority and the San Francisco County Public Finance Authority. During the past decade, San Francisco's total sales tax has fluctuated between 8.5% and 9.5%, and the current rate of 8.5% is one of the lowest in the Bay Area.

The November 2016 election was the most recent attempt at raising the local sales tax. The City proposed a 0.75% increase in the sales tax with approximately 0.5% allocated for transportation improvements and 0.25% allocated for homeless services. The City also decided to use two separate but related ballot measures: Proposition K for a general sales tax that would go into the General Fund and would thus require a simple majority approval and a related measure, Proposition J, that would then dedicate the funding if the sales tax passed. However while Proposition J passed, the sales tax did not.

Strengths of the Strategy	Weaknesses of the Strategy
• Revenue Generating Potential o A 0.25% increase in the sales tax dedicated to the Seawall Project could generate approximately $50 million annually.[14] o If leveraged, it could produce an estimated $650 million for a 30-year bond – depending on when the sales tax would sunset, it could continue to generate up to $650 million for every 3-year increment.[15] o Relatively reliable annual source of revenue, which could be paired with one-time grants presented in the other recommendations. • Timing o Mid-term strategy: funding could likely be available in 5-10 years. o Once voted in, funds could continue annually for duration of the increase. • Administrative Complexity o Established form of revenue in the City. • Cost Burden o Would capture revenue from visitors who are important users of the Seawall.	• Political Feasibility o Public approval needed – November 2016 measure failed to secure majority approval. o City could consider presenting a Seawall tax increase as a dedicated tax (2/3rds vote) to inspire higher voter trust that the City would be using funds from the tax increase responsibly. o Competing City needs for sales tax funds – Seawall would need to be paired with other City needs on an increase measure. • Timing o Could take time to perform public outreach and build support before conducting an election. • Cost Burden o Regressive tax – tax collects a larger percentage of income from low-income earners than from high-income earners.

[14] Source: Controller's Office staff.
[15] Source: Office of Public Finance staff.

Recommendation and Next Steps

The SFWG recommends the City explore pursuing a sales tax increase of approximately 0.25% and that the expected revenue contribute to Phase I and/or the Phase II of the Seawall Project. Given the recent failure of a Sales Tax Increase in 2016, this group recommends the City pursue this strategy only after careful consideration of public support and timing.

To implement this strategy, the Port should work with the Mayor's Office and the Board of Supervisors to emphasize how the Seawall Project should be considered a priority City project and gain their approval for a sales tax increase partially dedicated to the Seawall Project. The Port could also look for other City departments and/or needs that would make good partners on a sales tax increase measure. Lastly, as the Port and City build a public outreach campaign for support of a Seawall G.O. Bond, they should keep in mind that such a campaign may need to be extended or replicated in the future for a sales tax increase measure.

I. Tourism & Hotel Funding Sources

Background and Context

The City could use a tourism and hotel funding source to contribute to the Seawall Project by levying either a hotel assessment or a hotel room tax, otherwise known as a transient occupancy tax (TOT). Each year San Francisco hosts over 18 million visitors, who spend nearly $11 billion in the City, generating approximately $665 million in annual tax revenue. While these numbers are citywide, San Francisco's waterfront is at the center of tourist activities, and one of every four visitors to San Francisco visits the waterfront. The Seawall is the foundation that supports top-visited tourist attractions like Pier 39, Fisherman's Wharf, and the Ferry Building.

Hotel Assessment

To recover costs from tourists visiting San Francisco's waterfront, the City could create a Seawall Resiliency Project Hotel Assessment District to collect assessments from hotel owners via a flat assessment rate on gross hotel revenues citywide, or alternatively, via a tiered-approach where assessment rates are based on proximity to the waterfront. The establishment of such an assessment district would have to be approved by a weighted majority vote of the hotel operators in the district, where the votes received are weighted based on potential revenue impact. In terms of timing of district formation, the Seawall Resiliency Project Hotel Assessment District could be phased in to begin collections as existing hotel assessment districts' terms end. The assessment rate level, structure, and term would be determined at the time of district formation.

For illustrative purposes, if a hotel assessment district was established citywide with a flat assessment rate of 0.25% on gross hotel revenues, the assessment district could collect up to approximately $7 million annually, assuming future hotel room rates and overall hotel occupancy rates are commensurate to fiscal year 2016 levels.[16] If annual revenues are leveraged under 30-year bond financing, $7 million in annual revenues could generate up to approximately $78 million in bond proceeds to be repaid over a 30-year term.

Transient Occupancy Tax (TOT)

Alternatively, the City could propose an increase to the City's TOT and appropriate the additional TOT collections to fund the Seawall Project. Many local governments impose this tax to recover costs of governmental services associated with nonresidents, and the City currently collects a TOT of 14% on hotel room charges. An additional TOT would have to be placed on the ballot for a 2/3rds citywide approval of registered voters.

For illustrative purposes, if the TOT was increased by 0.25% to 14.25%, the City could collect approximately $7 million in additional annual revenues, assuming future hotel room rates and overall hotel occupancy rates are commensurate to fiscal year 2016 levels.[16] If such additional annual revenues are leveraged under a 30-year bond financing, $7 million in annual revenues could generate up to approximately $78 million in bond proceeds.

[16] For projection purposes, annual estimates for additional hotel assessment collections and increased TOT collections are based on FY 2016 actuals in which the City collected $387.66 million in TOT revenues.

Strengths of the Strategy	Weaknesses of the Strategy
• Revenue Generating Potential o A citywide hotel assessment district with a flat assessment rate of 0.25% or a 0.25% increase to the City's TOT could potentially collect up to $7 million in annual collections a year. o Annual revenues estimated at $7 million, leveraged under a 30-year bond financing, could generate up to $78 million over a 30-year term. • Timing o Could contribute to Phase I and Phase II. o Seawall assessment or TOT could be established and begin collecting revenue in 5-10 years. o Once created, an assessment district can collect assessments for the term established – other City hotel assessment districts have been established for a 30-year term. o Once voted in, TOT funds could continue annually for duration of the increase. • Cost Burden o Would capture revenue from tourists who are important users of the Seawall.	• Political Feasibility o Assessment District – Requires political approval from hotel owners, which could be difficult since hotel assessments already exist. o Hotel owners may prefer to reserve assessment capacity for additional future work that may need to be done to the Moscone Convention Center. o TOT – Currently San Francisco's TOT is one of the highest in the nation. ➢ TOT requires 2/3rds public approval – public likely would approve a tax that affects tourists and not themselves. • Administrative Complexity o Assessment District – Difficult to implement and establish the legal mechanisms necessary to maintain it, but City staff are familiar with this type of assessment. o TOT – Already established form of revenue in the City.

Recommendation and Next Steps

The SFWG recommends the City create a tourism and hotel funding source in the form of a hotel assessment or a transient occupancy tax (TOT) to contribute to the Seawall Project costs.

Port and City staff should begin outreach to hotels, the Mayor's Office, and the Board of Supervisors to determine which funding tool is the most appropriate and politically viable to support this Project. City staff could commission an economic study to determine the precise financial benefits of both options. This process should explore a range of assessment and TOT rates to ensure that a new assessment or tax is able to generate a substantial amount of revenue for the Project but is still low enough to receive the support of hotel owners. In addition, a study could explore what the geographic boundaries of a new assessment district would look like.

Hotel businesses will only continue to be profitable if visitors can come to the City and visit the many iconic San Francisco tourist destinations along the City's waterfront that rely on the Seawall. City staff should also work with hotel businesses to gather their support for a new assessment or TOT. Staff should try to make clear the nexus between future hotel revenues and the future resilience of the Seawall.

Supplementary Recommendations

J. Advertising Revenue

The Port could establish an advertising program on Port property to create additional revenue for the Seawall Project. This strategy was considered in light of similar efforts by the SF Metropolitan Transportation Authority (SFMTA), which generates approximately $30 million annually through their advertising program. The Port has a smaller footprint than the SFMTA, and the Port currently does not generate very much revenue through advertising. The group did not identify any specific ideas about a new advertising program.

The SFWG recommends the Port continue exploring ways to increase their advertising revenue and use increased revenue to contribute to Seawall Project costs. The SFWG felt this strategy could present the Port with an additional opportunity to generate funds from local businesses benefitting from the Project.

K. Cap & Trade Program Funding

The SFWG analyzed the feasibility of the Seawall Project receiving State Cap and Trade funds given that the Project will have an environmental impact and other City agencies, such as the SFMTA, have been successful in receiving funding in the past. Cap and Trade funding seemed promising, but there were too many unknowns about the Program to make it a leading recommendation.

Started in 2012, the Cap and Trade Program requires companies to buy permits to release greenhouse gases into the atmosphere. The program is the centerpiece of California's climate agenda and has been extolled as an international model in the fight against global warming. Each year, state agencies invest cap-and-trade funds in communities throughout California via the California Climate Investments Program which receives about 60% of the funds. The other 40% are discretionary funds allocated each year by the State Legislature.

As of the writing of this report, the Cap and Trade Program is undergoing major programmatic changes. First in April 2017, the Program survived a four-year legal challenge when a California Appeals Court ruled that the Program was not an unconstitutional tax, as some business interest groups had claimed. The court challenge could still be appealed to the California Supreme Court.

The current law's authorization ends in 2020, and State lawmakers are currently debating a bill to continue the Program, which would have to pass the Legislature by a 2/3rds vote. The most recent Cap and Trade bill to be introduced does not simply extend the current program; it significantly overhauls the old system and remakes a new program with a new carbon credit system and a to-be-determined revenue allocation process. A Cap and Trade extension or replacement bill will likely be discussed throughout the 2017-18 legislative session.

Lastly, because businesses are unsure about the future of the Program, Cap and Trade Program revenues have significantly declined in recent carbon credit auctions compared to previous auctions and revenue projections.

Due to the uncertainty surrounding the future of the Cap and Trade Program and the exact amount of revenue available from it, the Cap and Trade Program could not considered a primary recommendation at this time. However, given that Phase II of the Seawall Project will likely contain some environmental impact projects, the Port should consider the Cap and Trade Program as a potential future source of funds, particularly for the later part of the overall Seawall Project. The State should resolve the future of the Program legislatively by the end of 2018, and a new program would likely take effect in 2020 or 2021. By this time, it should be clearer what types of projects would be eligible for funding from the Program and how much revenue can be expected. If it becomes clear that the Cap and Trade Program will be a viable source of funds for climate resilience projects statewide, then this strategy should be reconsidered as a primary recommended funding source for the Seawall Project.

L. Cruise Ticket Surcharge Increase

The Port could increase the surcharge that is placed on cruise tickets given that all cruise ship tourism depends on the future resiliency of the Seawall. The Port recently increased their cruise ticket surcharge, and this revenue is being applied to the cost of the new cruise terminal. The Port believes that there is limited capacity to raise the surcharge in the near future, and any such increase would result in limited revenue in comparison to the overall cost of the Seawall Project.

Despite the limited revenue potential, the SFWG recommends the Port pursue an increased surcharge on cruise tickets in the future and use this increased cruise ticket surcharge revenue to contribute to small budget line items associated with the Seawall Project.

M. Historic Tax Credits

The Port could work with its development partners to receive Historic Tax Credits from the National Park Service (NPS) and the Internal Revenue Service (IRS) to lower overall Seawall Project costs. The Port's development partners have been very successful in obtaining federal Historic Tax Credits for pier rehabilitation projects, including seismic upgrades to pier substructures. The Port could ask the IRS whether improvements to the Seawall – itself a contributing resource to the Embarcadero Historic District – are eligible for tax credits if pursued by the Port's development partners in connection with a pier rehabilitation project. Because an historic credit is for 1% of a project's cost, it could result in significant savings for a large pier rehabilitation project.

The SFWG supports the Port's pursuit of Historic Tax Credits because this strategy could result in a moderate amount of overall Project cost savings while exhausting little to no administrative work for Port staff. Assuming the NPS and IRS consider the Seawall an eligible use for the credits, the credits could encourage the Port's private development partners to execute pier rehabilitation projects throughout the timing of the Seawall Resiliency Project, and the developers would be tasked with pursuing the administrative process necessary to receive the credit.

The SFWG did not consider Historic Tax Credits a primary recommendation because it is a cost-saving measure rather than a new funding source. The tax credits would only be applicable within the limits of the Embarcadero Historic District, meaning that they would not be able to fund much of the overall three-mile project. In addition, the tax credits are subject to market conditions and are therefore a volatile source of funds.

The SFWG recommends the Port meet with the NPS and the IRS to determine if the Seawall is an eligible use for these tax credits. If the Seawall is not an eligible use, then the SFWG considers this strategy void.

N. Marina Use Fee Increase

A Port-administered marina use fee would derive revenue from waterfront users who would directly benefit from the Seawall Project. However, a marina use fee increase has a low revenue generating potential and thus would not contribute greatly to the overall Project cost. Despite the low revenue potential, the SFWG recommends the Port raise fees on marinas and use this revenue to contribute to small budget line items associated with the Seawall Project.

O. Philanthropy

The Port could seek philanthropic donations from local donors to contribute to the cost of the Seawall Project. The City may be able to identify donors who could collectively donate a significant amount of funds towards the Project at no cost to the City. At this time, philanthropy is considered a supplementary recommendation because no specific donors have yet been identified and donations would likely generate a moderate amount of funds at most.

The SFWG recommends that the Port cultivate philanthropic donations to contribute to the Seawall Project throughout its long-term timeline. This strategy could be successful especially in Phase II when there may be park development and environmental improvement projects that would lend themselves to philanthropic interest. Another possible area for philanthropic interest could be finding donors interested in donating to revitalize the Embarcadero Historic District, which partially sits on top of the Seawall.

P. Public Private Partnerships

The Port could create a public private partnership (P3) to deliver some portion of the Seawall Project. A P3 is a cooperative arrangement between one or more public and private sectors that can take different forms such as private entity financing, building, and/or managing a project in return for a promised stream of payments from a government over the projected life of the project. With varying degrees of satisfaction, some state and local governments have decided to pursue P3s as a strategy to secure upfront funds for capital projects that they cannot fund alone.

The SFWG originally scored this strategy poorly because it is not an effective revenue generating funding source compared to the other strategies presented here. As was mentioned under the *General Obligation Bonds* strategy, the City's debt programs are highly esteemed by financial investors, so the City has access to capital with low interest rates. Interest rates offered by the private market are higher than those the City can receive through G.O. or CFD Bonds. In addition, CFDs are in a way themselves a tried and true method of public-private partnership.

However, the SFWG does recommend that the Port consider a public private partnership as a delivery method for aspects of the Seawall Project. A P3 for management and/or construction of some phases or smaller projects within the overall Project could result in projects being completed faster and cheaper than they otherwise could be. The SFWG encourages the Port to explore ways in which the private sector can be engaged in the Project to offer project delivery feedback and innovations that might lead to these cost savings.

Q. Regional Measure 3 – Bridge Tolls Program Funding

At the regional level, the SFWG discussed advocating for Seawall Project funding as part of the upcoming Regional Measure 3 (RM3) Bridge Toll Program. The Metropolitan Transportation Commission (MTC) is considering legislation to create a ballot measure asking Bay Area voters to approve a $1-3 bridge toll increase in 2018 to fund congestion relief projects for improved mobility in the nine-county Bay Area toll bridge corridors. Any ballot measure would still require state legislative authorization. RM3 as a fee program requires a bridge nexus to ensure all projects benefit toll payers in the vicinity of the bridge corridors. In addition, RM3 projects should be consistent with Plan Bay Area goals of sustainability, freight movement, state of good repair, and resiliency from sea level rise.

The Seawall Project could be considered an eligible project under RM3 because of the Project's relevance in protecting vital transportation infrastructure for not only San Francisco but for the entire Bay Area and because of the alignment between the Project's objectives and RM3's goals

around sea level rise resiliency. In addition, unlike the other supplementary recommendations in this section, RM3 funding could contribute a significant amount of revenue towards this Project.

The SFWG recognized it would be politically difficult to secure funding for the Seawall Project under the RM3 Program. The City has experience trying to receive funding from regional bridge toll programs, and because of the number of projects involved, it is a very competitive process to become funded. In addition, the SFWG expressed concern that the Seawall Project may not have as clear a nexus to the bridge toll program as other transportation-specific regional projects.

The SFWG recommends the Port pursue a strategy advocating that the Seawall Project be added to the list of projects that would be funded by RM3. Despite the political uncertainty around succeeding in this effort, the Port should still try to secure funding because of the timeliness of the RM3 process – a ballot measure as early as 2018 – and the significant amount of funds up for allocation.

NEXT STEPS AND CONCLUSION

The primary audiences for this report are the Capital Planning Committee and the Port's Seawall Resiliency Project Executive Steering Committee. Following presentations to both entities, the Executive Director of the Port and the Mayor's Office will strategize about the road ahead.

Pursuit of funding for the Seawall is already underway. A G.O. Bond of $350 million is recommended in the City's current Capital Plan, and the Port is pursuing funding from the U.S. Army Corps of Engineers.

To promote the G.O. Bond's success at the ballot box in 2018, pre-bond planning work should begin, which will involve preparing a bond report and legislation for the Board of Supervisors to approve placing the Bond on the ballot. The SFWG also supports the Port's current efforts to develop a communications plan that includes stakeholder outreach and polling to track and raise public support for the 2018 ballot measure. The Office of Resilience and Capital Planning will work with the Port to facilitate and advise on the pre-bond planning process, as is done for all of the City's G.O. Bonds.

Meanwhile, the Port should also prioritize its federal strategy of pursuing Army Corps funding as a source for Phase II of the Project as this source represents the largest revenue potential of any singular source discussed. Progress towards CAP 103 funding is a positive step forward in getting federal interest in a larger, more substantial project. The SFWG supports Port staff efforts to continue working with the Corps to move towards General Investigation funding.

In addition to the G.O. Bond and Army Corps strategies for Phases I and II respectively, the SFWG has recommended seven other primary funding sources and eight supplementary sources that could fill remaining funding needs in both phases. The SFWG has found these strategies promising but each one has its drawbacks that should be taken into consideration. Port and City leadership should carefully consider these strategies to decide which ones seem most feasible to produce significant funds for the Project. Port staff should seek additional feedback from the Controller's Office, the Mayor's Office of Public Policy and Finance, and the Board of Supervisors to determine a course of action.

The Great Seawall is a vital piece of infrastructure that has helped San Francisco become the vibrant, economic, and cultural center it is today. The Seawall supports the City's residents, workers, and visitors, and it protects vital transportation and utility infrastructure, historic waterfront buildings, and iconic tourist attractions. The vulnerability of the Seawall to seismic damage and rising sea levels is one of the biggest risks the City faces. However, the Seawall Resiliency Project also represents an opportunity for San Francisco to look ahead, reinforce critical infrastructure, and create a city that is more resilient and better prepared for the future. This report represents one of the first steps in that direction.

APPENDIX A: List of 48 Funding Strategies Considered

Strategy Category	High-Level Considerations	Specific Strategies
A. State Strategies	• Well understood • Requires outreach • Requires political capital • Significant revenue potential	1. Geologic Hazard Abatement Districts 2. Incorporate into Pier Rehab Projects 3. State Property Tax Increment from IFDs 4. State Resilience G.O. Bond
B. User Fees	• Mostly well understood • Public/partner willingness concerns • Limited revenue potential	5. Cruise Ticket Surcharge Increase 6. Increased Ferry Charges 7. Surcharge on Event Tickets 8. Transit Pass Transfer Fee
C. Federal Strategies	• Uncertain feasibility, requires outreach • Requires significant political capital in uncertain political environment • Significant revenue potential	9. DHS Office of Infrastructure Protection 10. Federal Transportation Funding – TIFIA 11. Hazard Mitigation Grants 12. Historic Tax Credits 13. National Foundation Grants 14. USACE – CAP 103 Program 15. USACE – General Investigation
D. Taxes & Fees (Transportation)	• Mostly well understood • Some fees already slated for other transportation purposes • Limited revenue potential	16. Commuter Transportation Tax 17. Increased Parking Revenues 18. Tax/Fee on Auto Sales 19. Tax/Fee on Marina Uses 20. Transit Impact Development Fee 21. Vehicle License Fee (VLF) Increase
E. Value Capture	• Mostly well understood, can be complicated/costly to execute • Some require heavier lift with the public than others • Significant revenue potential	22. Assessment District (AD) 23. Community Facilities District (CFD) 24. General Obligation (G.O.) Bonds 25. Infrastructure and Revitalization Financing Districts (IRFDs) 26. Local Property Tax Increment from IFDs 27. Resilience Bonds/Insurance Value Capture 28. Sale/Lease Increment of Port Assets
F. Taxes & Fees (General)	• Well understood • Regressive and public willingness concerns • Significant revenue potential	29. Business License Fee Surcharge 30. Parcel Tax 31. Real Estate Transfer Tax Increase 32. Sales Tax Increase 33. Utility User Tax Surcharge
G. Regional Strategies	• Well understood • Uncertain feasibility, requires outreach • Requires political capital • Significant revenue potential	34. Cap & Trade Program Funding 35. Congestion Pricing 36. Regional Gas Tax 37. RM3 – Bridge Tolls Program Funding 38. Tax/Fee on Rental Cars
H. Other Local/Regional Strategies	• Some somewhat understood, others less so • Limited revenue potential • Labor intensive to set up and administer	39. Advertising 40. Business Gross Receipts Tax Surcharge 41. Environmental Impact Bonds 42. Green/Climate Bonds 43. Hotel Assessment 44. Infrastructure Trust Bank 45. Naming Rights 46. Pension Plan Investment 47. Philanthropy 48. Public Private Partnerships (P3's)

APPENDIX B: Funding Strategies Heat Map

The Funding Strategies Heat Map on the following pages was created during the evaluation phase when the SFWG scored each of the 48 funding sources based on the adopted evaluation criteria (see the score sheets in Appendix C for more information):

- Members ranked the relative strength of each strategy on a scale of green to red where green represented a strength of that funding strategy, yellow represented neither a weakness nor a strength, and red represented a weakness. Members could also register intermediate scores of red-yellow or yellow-green.
- Each color was assigned a number on a scale of 1-5 where red = 1, red-yellow is = 2, yellow = 3, yellow-green = 4, and green = 5. The criteria scores were then averaged, and the funding strategies were sorted from highest to lowest scores.
- All criteria were considered equally, except for Revenue Generating Potential which the group decided to triple weight.
- The group could also choose to dismiss a particular strategy and not evaluate it according to the criteria if it was deemed infeasible or not worthwhile by consensus. The following nine strategies were dismissed and thus do not appear in the heat map:
    - *Business Gross Receipts Tax Surcharge*
    - *Business License Fee Surcharge*
    - *Commuter Transportation Tax*
    - *DHS Office of Infrastructure Protection*
    - *Green/Climate Bonds*
    - *Incorporate into Pier Rehab Projects*
    - *National Foundation Grants*
    - *Tax/Fee on Auto Sales*
    - *Tax/Fee on Rental Cars*
- Note: the *IRFDs* strategy was considered in conjunction with the Port IFDs strategy.

After the evaluation process, the SFWG created recommendations based upon the strategies that received a score of 4.00 (out of 5.00) on the heat map with the following changes:

- ***Army Corps of Engineers Funding*:** The SFWG decided to consider the CAP 103 Program and the General Investigation strategies together because they are related efforts.
- ***Cap and Trade Program Funding*:** Although this strategy was initially a top-scored source, the group decided to name it as a supplementary source. As noted above, there was too much uncertainty about the revenue generating potential and the political feasibility to recommend it as a primary or secondary recommendation at this time.
- ***CFD* and *AD*:** The SFWG chose to consider the CFD (Community Facilities District) and the AD (Assessment District) strategies together because they are similar funding tools. The group ultimately recommended the CFD.
- ***Hotel Assessment*:** This strategy is referenced as *Tourism and Hotel Funding Sources* in the report because the group decided to also consider a Transient Occupancy Tax (TOT).
- ***Increased Parking Revenues*:** The revenue generating potential for this strategy was thought to be higher than it is. In addition, Port parking revenue currently funds other Port capital needs. The group decided to change this strategy to the *Port Capital Contribution* strategy, which is discussed above.

APPENDIX B: Funding Strategies Heat Map

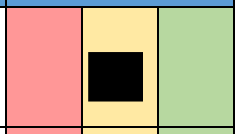
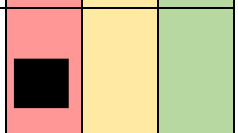
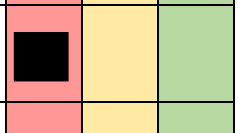
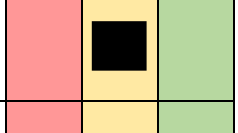
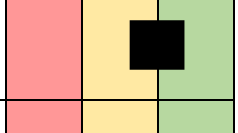
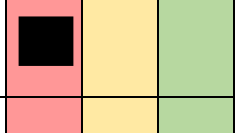
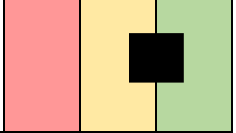
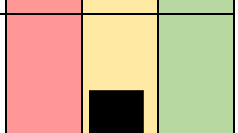
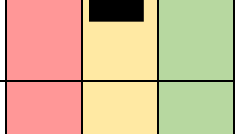
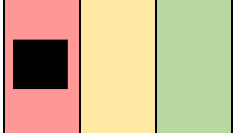
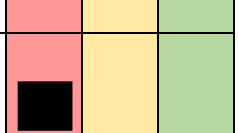
Rank	Funding Strategy	Source of Funds	Revenue Generating Potential ***	Cost of Funds	Long Term Sustainability	Flexibility of Funds	Timing	Tradeoffs for Other City Needs	State/ Federal Political Feasibility	Local/ Regional Political Feasibility	Administrative Complexity	Equity/ Cost Burden	Weighted Average
1	Local Property Tax Increment from IFDs												**4.77**
2	Community Facilities District (CFD)												**4.46**
3	USACE – CAP 103 Program												**4.38**
4	State Property Tax Increment from IFDs												**4.31**
5	General Obligation (G.O.) Bonds							2					**4.23**
6	Cap & Trade Program Funding												**4.23**
7	State Resilience G.O. Bond												**4.23**
8	Sales Tax Increase									2			**4.15**
9	Hotel Assessment							2		2			**4.08**
10	Increased Parking Revenues							2					**4.00**
11	Assessment District (AD)												**4.00**
12	USACE – General Investigation										2		**3.85**
13	Philanthropy		2		2		2						**3.77**
14	Historic Tax Credits				2								**3.77**
15	Tax/Fee on Marina Uses												**3.62**
16	Cruise Tickets Surcharge Increase												**3.54**
17	Advertising			2						2			**3.46**
18	RM3 – Bridge Tolls Program Funding						2			2			**3.46**
19	Vehicle License Fee (VLF) Increase				2								**3.38**
20	Parcel Tax				2			2		2			**3.38**
21	Naming Rights				2					2			**3.31**
22	Congestion Pricing						2	2	2			2	**3.15**
23	Public Private Partnerships (P3's)											2	**3.08**

Rank	Funding Strategy	Source of Funds	Revenue Generating Potential ***	Cost of Funds	Long Term Sustainability	Flexibility of Funds	Timing	Tradeoffs for Other City Needs	State/ Federal Political Feasibility	Local/ Regional Political Feasibility	Administrative Complexity	Equity/ Cost Burden	Weighted Average
24	Utility User Tax Surcharge			2			2						**2.92**
25	Transit Impact Development Fee					2				2			**2.77**
26	Federal Transportation Funding – TIFIA							2					**2.77**
27	Real Estate Transfer Tax Increase												**2.69**
28	Surcharge on Event Tickets							2					**2.62**
29	Environmental Impact Bonds				2		2	2		2	2		**2.62**
30	Sale/Lease Increment of Port Assets	2	2				2						**2.62**
31	Regional Gas Tax						2		2				**2.46**
32	Increased Ferry Charges				2		2		2				**2.31**
33	Hazard Mitigation Grants												**2.31**
34	Pension Plan Investment	2						2		2	2		**2.31**
35	Geologic Hazard Abatement Districts												**2.23**
36	Infrastructure Trust Bank		2				2	2					**2.00**
37	Transit Pass Transfer Fee												**1.00**
38	Resilience Bonds/ Insurance Value Capture												**1.00**

Key:		
	Strength	5
	Partial strength	4
	Neither strength nor weakness	3
2	Partial weakness	2
	Weakness	1
***	Criteria Triple Weighted	

APPENDIX C: SCORE SHEETS OF ALL FUNDING STRATEGIES CONSIDERED

State Funding Strategy A1:
Geologic Hazard Abatement Districts

Criteria	Notes	Score
Source of Funds	▪ Not City funds, but State funds.	
Revenue Generating Potential	▪ Falls under the 2% tax burden max but would impact the property value marketing for SF real estate. ▪ Relatively small revenue potential vs. CFD.	
Cost of Funds	▪ Can't leverage these funds for bonds.	
Long Term Sustainability	▪ District can be formed and last for a decent amount of time.	
Flexibility of Funds	▪ Specific for seismic needs, which is limiting but could be used for much of the scope of work.	
Timing	▪ This would take time to set up, if it could pass at all.	
Tradeoffs for Other City Needs	▪ Additional tax that wouldn't have been used otherwise. ▪ However, because of the 2% max, this need for an additional tax may compete with other City needs that may also require an additional property tax.	
Political Feasibility at State/Federal Level	▪ Need State stakeholder buy-in.	
Political Feasibility at Local/Regional Level	▪ No competing local needs with this specific strategy. ▪ But convincing property owners to take on additional taxes would be difficult.	
Administrative Complexity	▪ Complicated to work with the State, including a geological study.	
Equity/Cost Burden	▪ Those on waterfront are paying more.	

State Funding Strategy A2:
Incorporate into Pier Rehab Projects

Criteria	Notes	Score		
Source of Funds				
Revenue Generating Potential	▪ Developer to take on cost via paying impact fees; take on partial cost of Seawall. ▪ However, the developer's investment will need to be made whole (rental credit, lower land cost, etc.).			
Cost of Funds				
Long Term Sustainability				
Flexibility of Funds				
Timing				
Tradeoffs for Other City Needs				
Political Feasibility at State/Federal Level				
Political Feasibility at Local/Regional Level				
Administrative Complexity				
Equity/Cost Burden				
Other Notes	**Funding Strategy Dismissed** ▪ This is just a cost-reduction model, not a new funding strategy. ▪ It's not bringing any new revenue to the Project.			

State Funding Strategy A3:
State Property Tax Increment from IFDs

Criteria	Notes	Score
Source of Funds	▪ Getting State funds in addition to City funds. ▪ No General Fund impact.	
Revenue Generating Potential	▪ Without a CFD, it's limited. ▪ Would need to be based on new development; small capture for just Mission Rock. ▪ You could use it as Pay-Go, but it's less beneficial. ▪ However, Port values Mission Rock as $200 million (through ~2090).	
Cost of Funds	▪ Could issue bonds on this source. ▪ Also could use this to pay back a federal source local match requirement if the City secured one of these sources. ▪ Depends on taxable/tax-exempt determinate.	
Long Term Sustainability	▪ Currently the Port is thinking of asking for 45 years. ▪ But some members thought they should ask for longer, if possible.	
Flexibility of Funds	▪ There is considerable flexibility with these funds, really any capital project.	
Timing	▪ Wouldn't have a considerable amount of funds for quite some time.	
Tradeoffs for Other City Needs	▪ TIDA or other City needs are possibly competing for these State resources. ▪ However, the Port doesn't think they would necessarily be competing.	
Political Feasibility at State/Federal Level	▪ Difficult to get State stakeholders and Governor on board (one reason – taking funds from ERAF at State level). ▪ But the State also might want to be seen as a leader on climate resilience.	
Political Feasibility at Local/Regional Level	▪ Other City needs compete for State resources. ▪ Will require coordination with TIDA because they are asking for a similar thing.	
Administrative Complexity	▪ Somewhat complicated to work with the State.	
Equity/Cost Burden	▪ Progressive strategy. ▪ Waterfront property paying for the Seawall.	
Other Notes	▪ Recommendation: This strategy should be tied to a CFD.	

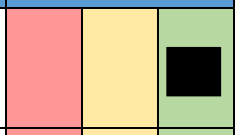
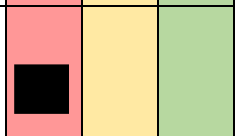
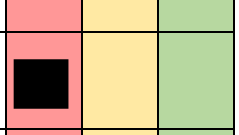
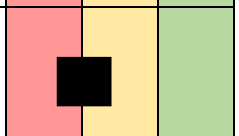
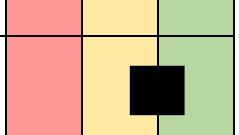
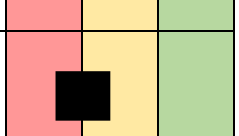
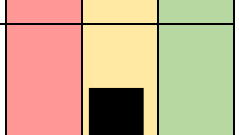
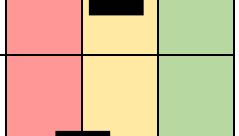
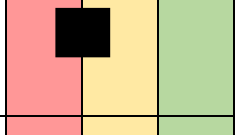
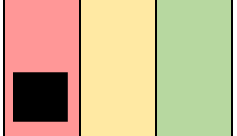
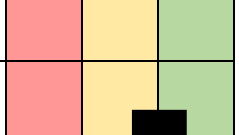
State Funding Strategy A4:
State Resilience G.O. Bond

Criteria	Notes	Score
Source of Funds	▪ State funds, not the City's.	
Revenue Generating Potential	▪ Because the City would have to compete for funds, the City would likely only get a small amount of the larger bond. ▪ New bills moving at the State are in the billions for a G.O. Bond, so there could a large amount of funds available to lobby for.	
Cost of Funds	▪ It would be a grant from the State, so the cost would be free.	
Long Term Sustainability	▪ Some noted that this grant would be a one-time funding opportunity. ▪ Others noted that if it passed once perhaps the model could be repeated again in the future.	
Flexibility of Funds	▪ State would grant money on prescribed purposes. ▪ If State legislators were successful in putting "Seawall" specifically in the bill or allocation, there could be better flexibility.	
Timing	▪ These bills are looking for a June 2018 ballot. ▪ Port is concerned about getting the Project on the list of funded projects in such a short timeline.	
Tradeoffs for Other City Needs	▪ State money, not City money – so not competing for other needs. ▪ But many needs might advocate to the State for the same, limited resource.	
Political Feasibility at State/Federal Level	▪ Need to perform a lot of advocacy to create, pass, and put before State legislators and voters statewide. ▪ These bills are moving at the State level, so it's looking politically feasible there. ▪ The challenge will be lobbying against other State needs to get the Project in the mix.	
Political Feasibility at Local/Regional Level	▪ City has to get State representatives on board with our issue vs. other City needs that could advocate for same limited resource. ▪ This type of a bill would be likely to pass at the local level, and it shouldn't be too difficult to get City's State legislators in support.	
Administrative Complexity	▪ It is somewhat challenging to work with the State, and the initial advocacy could be complicated and timely to implement. ▪ However if successful in getting the Project on the funding list, it would be easier to get and use the funds.	
Equity/Cost Burden	▪ Equitable, State money contributing to the Project.	

User Fees Funding Strategy B5:
Cruise Ticket Surcharge Increase

Criteria	Notes	Score
Source of Funds	▪ Not City funds.	
Revenue Generating Potential	▪ Currently exists for paying off the cruise terminal and is ~$18 a ticket. ▪ Could exist in perpetuity. ▪ The Port believes that because they recently increased the ticket surcharge, there would be very limited revenue potential. Perhaps ~$250K a year?	
Cost of Funds	▪ Might be able to securitize funds using revenue bonds.	
Long Term Sustainability	▪ No sunset clause on the surcharge.	
Flexibility of Funds	▪ Funds would be flexible.	
Timing	▪ Likely will take some time to gain revenue necessary to securitize.	
Tradeoffs for Other City Needs	▪ Revenues from cruises would only be spent on waterfront projects.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ Charge is negotiable and can be done directly with cruise lines. ▪ But a higher charge will decrease competition of SF Port vs. other West Coast ports. ▪ Also, cruise lines could try to reach out to political leaders to support a lower or nonexistent charge.	
Administrative Complexity	▪ Unknown, but likely not difficult.	
Equity/Cost Burden	▪ Cruises rely on waterfront and Seawall infrastructure.	

User Fees Funding Strategy B6: Increased Ferry Charges

Criteria	Notes	Score
Source of Funds	▪ Not City funds.	
Revenue Generating Potential	▪ Depends on ridership. ▪ Likely limited potential because there has been low ridership recently.	
Cost of Funds	▪ Cannot securitize this revenue.	
Long Term Sustainability	▪ Same as other fees. ▪ Can't securitize. ▪ Must be appropriated. ▪ Not dependable.	
Flexibility of Funds	▪ Likely flexible.	
Timing	▪ Unknown.	
Tradeoffs for Other City Needs	▪ Not necessarily competing with other City needs. ▪ But would be competing with other WETA needs.	
Political Feasibility at State/Federal Level	▪ Regional pushback, which might have implications at State level.	
Political Feasibility at Local/Regional Level	▪ Likely difficult to get regional partners and WETA buy-in.	
Administrative Complexity	▪ Unknown, but likely not too difficult.	
Equity/Cost Burden	▪ Burdensome to ferry riders who already pay expensive tickets. ▪ However, they are relying on Seawall infrastructure.	
Other Notes	▪ Some recommended the Port pursue this policy outside of this Project but as another Pay-Go revenue source.	

User Fees Funding Strategy B7: Surcharge on Event Tickets

Criteria	Notes	Score
Source of Funds	▪ Not necessarily City funds. ▪ But coming from some City residents.	
Revenue Generating Potential	▪ The City has looked at this potential before. ▪ It's small, only about $2 million a year.	
Cost of Funds	▪ Not large enough to securitize (cannot do revenue bonds).	
Long Term Sustainability	▪ Depends on number of events and escalation. ▪ Likely there will be a relatively flat number of events in the future. ▪ But the City could keep a surcharge in perpetuity.	
Flexibility of Funds	▪ Pay-Go, it's flexible. ▪ But cannot securitize, so can't use it for other needs.	
Timing	▪ The City could implement this relatively quickly. ▪ But wouldn't be ready necessarily to make an impact on the Project's budget.	
Tradeoffs for Other City Needs	▪ Other City needs would want this resource.	
Political Feasibility at State/Federal Level	▪ N/A	
Political Feasibility at Local/Regional Level	▪ Residents, tourists, and waterfront businesses/partners would be unhappy about this.	
Administrative Complexity	▪ Relatively easy to do.	
Equity/Cost Burden	▪ There could be a nexus issue. ▪ But waterfront businesses/users are paying for the Project.	

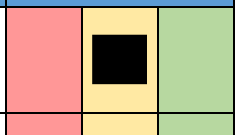
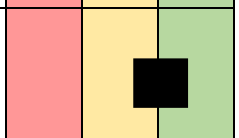
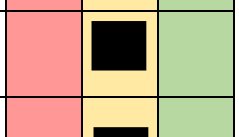
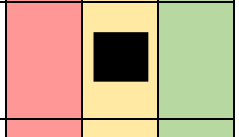
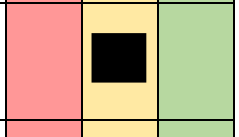
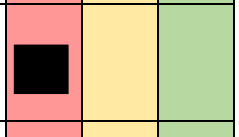
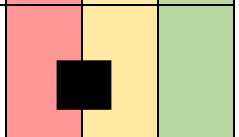
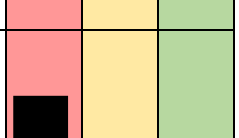
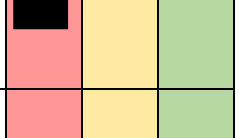
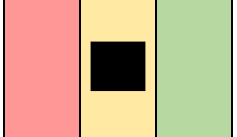
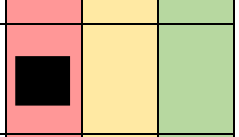
User Fees Funding Strategy B8:
Transit Pass Transfer Fee

Criteria	Notes	Score		
Source of Funds	▪ Could hurt City revenue sources.	■		
Revenue Generating Potential	▪ Likely small.	■		
Cost of Funds	▪ Can't securitize.	■		
Long Term Sustainability	▪ Fee could last in perpetuity. ▪ But small revenue, those funds wouldn't go far.	■		
Flexibility of Funds	▪ Must be appropriated.	■		
Timing	▪ Small annual Pay-Go funds. ▪ Would take a long time to have enough funds to make a significant contribution to the Project.	■		
Tradeoffs for Other City Needs	▪ Would go against City's transit policies.	■		
Political Feasibility at State/Federal Level	▪ N/A	■		
Political Feasibility at Local/Regional Level	▪ Unlikely local/regional participation.	■		
Administrative Complexity	▪ Hard to track who would change transit. ▪ Appropriation process.	■		
Equity/Cost Burden	▪ Burden on transit users.	■		

Federal Funding Strategy C9:
DHS (Department of Homeland Security) Office of Infrastructure Protection

Criteria	Notes	Score		
Source of Funds				
Revenue Generating Potential				
Cost of Funds				
Long Term Sustainability				
Flexibility of Funds				
Timing				
Tradeoffs for Other City Needs				
Political Feasibility at State/Federal Level				
Political Feasibility at Local/Regional Level				
Administrative Complexity				
Equity/Cost Burden				
Funding Strategy Dismissed				
Other Notes	▪ No funds currently available. ▪ Politically uncertain if there will be.			

Federal Funding Strategy C10:
Federal Transportation Funding – TIFIA
(Transportation Infrastructure Finance and Innovation Act)

Criteria	Notes	Score
Source of Funds	▪ Loan from federal govt. ▪ But we would need to pay it back.	
Revenue Generating Potential	▪ A lot of funds available but also need the funds later to repay. ▪ Transbay Project's loan was $171M.	
Cost of Funds	▪ Interest rate for Transbay was 4.57%, higher than was anticipated during the planning phase.	
Long Term Sustainability	▪ One-time loan. ▪ But could always ask for another loan if you wanted.	
Flexibility of Funds	▪ Would have to expand project scope to explicitly include transit to be eligible. ▪ TIFIA is usually for building new infrastructure not only renovating.	
Timing	▪ Process is long, 1-2 years negotiation.	
Tradeoffs for Other City Needs	▪ Competing with other transportation needs – BART, Caltrain, ferry etc. ▪ However don't know where the limit of the funding is and how competitive it is.	
Political Feasibility at State/Federal Level	▪ Federal bureaucracy. ▪ Current administration's approval of a SF project is unknown.	
Political Feasibility at Local/Regional Level	▪ Competing City/regional interests.	
Administrative Complexity	▪ Challenging to apply.	
Equity/Cost Burden	▪ Federal contribution. ▪ However it depends on how the City repays loan.	
Other Notes	▪ This strategy, or other federal transportation funding, would require the Project's scope to be more transit-specific. ▪ Perhaps this would be better suited for Phase II, the part more focused on sea level rise since that is where the most risk lies for transportation assets. ▪ Argument could be made that to do some of MTA's projects, you would need to stabilize the ground around it (aka solving seismic risks).	

Federal Funding Strategy C11:
Hazard Mitigation Grants

Criteria	Notes	Score
Source of Funds	▪ Not City funds.	
Revenue Generating Potential	▪ Small potential, roughly $1 million.	
Cost of Funds	▪ No cost, it's a grant.	
Long Term Sustainability	▪ One-time grant.	
Flexibility of Funds	▪ Inflexible, specific uses only.	
Timing	▪ Takes a long time.	
Tradeoffs for Other City Needs	▪ Fire and Police Departments are also looking to this source. ▪ But not many other competing needs here.	
Political Feasibility at State/Federal Level	▪ Hard to get, and federal administration is politically uncertain right now. ▪ Would have to go through the process now but wouldn't need the grant for 3-4 yrs. ▪ Very competitive nationally.	
Political Feasibility at Local/Regional Level	▪ Politically challenging.	
Administrative Complexity	▪ Difficult to get, and a lot of work is needed to apply.	
Equity/Cost Burden	▪ Federal contribution.	
Other Notes	▪ Ultimately the effort to apply is not worth the low amount of funds potentially available.	

Federal Funding Strategy C12:
Historic Tax Credits

Criteria	Notes	Score
Source of Funds	▪ Not City funds.	
Revenue Generating Potential	▪ Reduces the price by 1% of project cost. ▪ It improves the likelihood that a developer decides to go ahead with a project because they get cash equity. ▪ Could be ~ $50M for a big development project. ▪ However market volatility could affect the amount of credits (volatile source).	
Cost of Funds	▪ Free funds, no cost on a credit.	
Long Term Sustainability	▪ One-time credit.	
Flexibility of Funds	▪ Use is specific to that site of work.	
Timing	▪ Usually developer gets the credit in the middle of the project.	
Tradeoffs for Other City Needs	▪ It's site- and project-specific and thus not competing with other City needs.	
Political Feasibility at State/Federal Level	▪ Likely not a political challenge.	
Political Feasibility at Local/Regional Level	▪ Likely not a political challenge.	
Administrative Complexity	▪ Assuming eligibility – it's not too complex to administer because the developer is doing the work.	
Equity/Cost Burden	▪ Coming out of the developer. ▪ Credit is from the federal government.	
Other Notes	▪ This is based on the assumption that the National Park Service deems the Seawall a legal, eligible use for these credits. Port would first have to investigate the eligibility. ▪ If not, this is strategy is void.	

Federal Funding Strategy C13:
National Foundation Grants

Criteria	Notes	Score		
Source of Funds				
Revenue Generating Potential	▪ Likely a very small pot of funds, maybe $25K-$50K.			
Cost of Funds				
Long Term Sustainability	▪ One-time grant.			
Flexibility of Funds	▪ Usually these type of grants are used for social advancement/equity projects.			
Timing				
Tradeoffs for Other City Needs				
Political Feasibility at State/Federal Level				
Political Feasibility at Local/Regional Level				
Administrative Complexity	▪ Burdensome to get and implement.			
Equity/Cost Burden				
	Funding Strategy Dismissed			
Other Notes	▪ There is no pot of funds currently available that the group knows of. ▪ It would take time to foster a source for likely a small pot of money. ▪ Uncertain process.			

Federal Funding Strategy C14:
USACE (US Army Corps of Engineers) – CAP 103 Program

Criteria	Notes	Score
Source of Funds	▪ Not City funds.	
Revenue Generating Potential	▪ Small, only about $2.5-5M. ▪ Although it is a small project with a small amount of funding, it is likely to happen, is free federal funding, and will help the efforts in getting a USACE General Investigation.	
Cost of Funds	▪ 50/50 match for the feasibility study and 2:1 match for construction.	
Long Term Sustainability	▪ One-time grant.	
Flexibility of Funds	▪ Very specific, small project. ▪ Army Corps would regularly consult with host Port staff and keep them updated on plans for the project. ▪ Only a small section of the overall Project.	
Timing	▪ This program is supposed to be done quickly, within a certain time frame. ▪ Port Commission recently approved this project, and so it will be able to begin much sooner than originally thought.	
Tradeoffs for Other City Needs	▪ Wouldn't compete with any other City project.	
Political Feasibility at State/Federal Level	▪ Funds wouldn't go to SF but to Army Corps directly so the City might be able to avoid federal political issues. ▪ However, if the City wants to change our implementation agreement, it would go to DC.	
Political Feasibility at Local/Regional Level	▪ The City historically hasn't loved stricter Army Corps agreements, and it would need Board approval. ▪ Port Commission recently approved this project though.	
Administrative Complexity	▪ Somewhat complex to set up. ▪ But then the Army Corps would be implementing.	
Equity/Cost Burden	▪ Federal contribution to the Project.	
Other Notes	▪ The group thought that this strategy, while small, would set the City up to advocate for a General Investigation and a larger amount of funds.	

Federal Funding Strategy C15:
USACE (US Army Corps of Engineers) – General Investigation

Criteria	Notes	Score
Source of Funds	▪ Not City funds.	
Revenue Generating Potential	▪ Significant amount of funds, could be more than $1 billion. ▪ We could use this to pay for Phase II if Phase I is paid for (mostly) with the G.O. Bond.	
Cost of Funds	▪ It's a 2:1 match ratio; City pays 1/3 match. ▪ It is possible though that they could pay for less if the City passes a G.O. Bond or finds another significant local funding source.	
Long Term Sustainability	▪ It's a one-time source but it lasts a long time. ▪ An authorization for a large sum would need to be added an as amendment to the law (WRDA); that authorization would last awhile.	
Flexibility of Funds	▪ City commits to paying all of the money upfront. ▪ The funds would be fairly inflexible given that the Project would be done along whatever scope the Army Corps defines. ▪ The Army Corps' main mission is flood protection so there could be an issue in making seismic improvements – the Port doesn't think this is likely though. ▪ Hard to get anything else out of the project: for example, jobs program or sea level rise education. Would have to use other funds for that. ▪ Army Corps would regularly consult with host Port staff and keep them updated on plans for the Project. ▪ There's a chance that they would only control segments of the Project, so flexibility is more mixed.	
Timing	▪ Long, long process.	
Tradeoffs for Other City Needs	▪ Not really, perhaps just SFO.	
Political Feasibility at State/Federal Level	▪ It does have to go through DC so depends on political environment at the time. ▪ However because it's a federal project, the funds go directly to Army Corps, not to SF.	
Political Feasibility at Local/Regional Level	▪ The City historically hasn't loved stricter Army Corps agreements, and it would need Board approval. ▪ Port Commission recently approved the CAP 103 Program, which is a good indicator for a General Investigation.	
Administrative Complexity	▪ Federal project, so complicated to apply for. ▪ But the Army Corps would be responsible for implementation.	
Equity/Cost Burden	▪ Significant federal contribution to the Project.	

Transportation Taxes & Fees Funding Strategy D16: Commuter Transportation Tax

Criteria	Notes	Score		
Source of Funds				
Revenue Generating Potential				
Cost of Funds				
Long Term Sustainability	▪ Long-term source.			
Flexibility of Funds				
Timing				
Tradeoffs for Other City Needs				
Political Feasibility at State/Federal Level				
Political Feasibility at Local/Regional Level	▪ Would need 2/3 vote here and in regional counties. ▪ In addition, would need buy-in of other counties which seems unlikely given that they have their own problems to pay for (i.e. Oakland has a Seawall too).			
Administrative Complexity				
Equity/Cost Burden	▪ Nexus is tenuous. ▪ Commuters in regional counties do rely on BART and its infrastructure which are at risk. ▪ But these counties also have their own problems to pay for. It would be a hard sell.			
	Funding Strategy Dismissed			
Other Notes	▪ Regionally, it seems politically infeasible. ▪ Locally, there are better ways to get taxes from businesses.			

Transportation Taxes & Fees Funding Strategy D17: Increased Parking Revenues

Criteria	Notes	Score
Source of Funds	▪ New source, but City residents would bear cost.	
Revenue Generating Potential	▪ Currently City's parking rates are not at market rate, so potential could be a lot. ▪ But higher prices could lower driver use.	
Cost of Funds	▪ Could securitize.	
Long Term Sustainability	▪ Open to future political unreliability.	
Flexibility of Funds	▪ Could do a parking fee increase citywide: Port area revenues go to Port and the rest of the City goes to MTA and could be used for transportation aspects of this Project.	
Timing	▪ Political feasibility will cause timing to be slower.	
Tradeoffs for Other City Needs	▪ MTA needs are competing for parking revenues. ▪ Also current Port parking funds go towards Port's budget, so it would be competing with other Port needs.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ Not politically popular.	
Administrative Complexity	▪ Easy to do.	
Equity/Cost Burden	▪ Equitable because drivers will pay for transportation aspects of Project.	

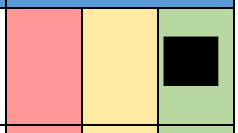
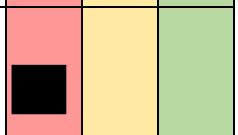
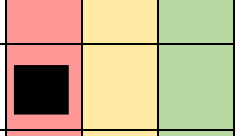
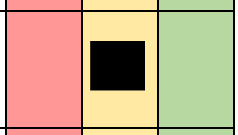
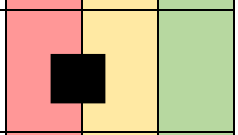
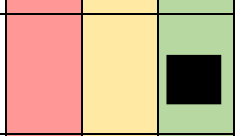
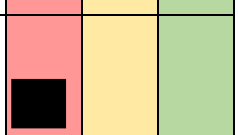
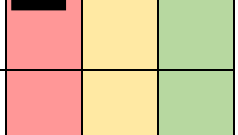
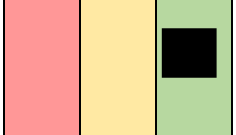
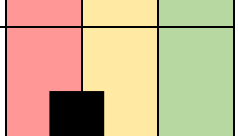
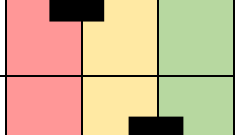
Transportation Taxes & Fees Funding Strategy D18: Tax/Fee on Auto Sales

Criteria	Notes	Score		
Source of Funds				
Revenue Generating Potential	▪ Unsure if tax goes to county where the point of sale is or where the car is registered. If former, then not much?			
Cost of Funds				
Long Term Sustainability				
Flexibility of Funds				
Timing				
Tradeoffs for Other City Needs				
Political Feasibility at State/Federal Level				
Political Feasibility at Local/Regional Level	▪ Low. 2 county approval.			
Administrative Complexity				
Equity/Cost Burden				
Other Notes	**Funding Strategy Dismissed** ▪ Few car sales in SF and so would require two county (SF and San Mateo) approval. ▪ And with registration, you could capture it better with Vehicle License Fee (VLF).			

Transportation Taxes & Fees Funding Strategy D19: Tax/Fee on Marina Uses

Criteria	Notes	Score		
Source of Funds	▪ New source, won't affect General Fund.			■
Revenue Generating Potential	▪ Low. ▪ Some viewed this as infeasible because the value here could be better collected through a CFD.	■		
Cost of Funds	▪ Might be able to be bonded with other revenues.			■
Long Term Sustainability	▪ Fee could last for a long time.			■
Flexibility of Funds	▪ Not bound to a specific use.			■
Timing	▪ Easy to do, so it could be done quickly.			■
Tradeoffs for Other City Needs	▪ Good for General Fund because no tradeoffs with other City needs. ▪ Trade-offs for Port though. Direct impact to Port revenues.		■	
Political Feasibility at State/Federal Level	▪ N/A.			■
Political Feasibility at Local/Regional Level	▪ Politically difficult. ▪ OCII has had trouble raising marina rates in their jurisdictions.	■		
Administrative Complexity	▪ Easy to administer once you have it. ▪ But a strategy with a low revenue generating potential may not be worth all the work and political implications.			■
Equity/Cost Burden	▪ Nexus exists. ▪ In addition to a bond or other citywide efforts, City would be asking those directly impacted by dangers to the waterfront to contribute to Project costs.			■

Transportation Taxes & Fees Funding Strategy D20: Transit Impact Development Fee

Criteria	Notes	Score
Source of Funds	▪ Already part of General Fund. ▪ But funds from developers.	
Revenue Generating Potential	▪ Unreliable source because it depends on development rates.	
Cost of Funds	▪ Unreliable source so unlikely to get bonding.	
Long Term Sustainability	▪ Not reliable, gaps in development.	
Flexibility of Funds	▪ Can be used for transportation only.	
Timing	▪ Already implemented.	
Tradeoffs for Other City Needs	▪ MTA needs are competing.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ It already exists. ▪ But would have to dedicate this source in the budget allocation process annually.	
Administrative Complexity	▪ Complicated now by inter-departmental needs for funds. ▪ But it is already implemented.	
Equity/Cost Burden	▪ Development causes new need for transportation (BART, Muni), therefore this could go towards the funds set aside for Maintenance/Standards of existing systems.	

Transportation Taxes & Fees Funding Strategy D21: Vehicle License Fee (VLF) Increase

Criteria	Notes	Score
Source of Funds	▪ New source of funds.	
Revenue Generating Potential	▪ ~$90-$100M. ▪ However MTA has a Muni-first strategy and car ownership is declining so this number is not stable and might decrease further in the future.	
Cost of Funds	▪ If the source is bonded, an investor might not trust this source since it has a risk of decline – higher interest rate.	
Long Term Sustainability	▪ Less car ownership in the future could jeopardize future sustainability of this source.	
Flexibility of Funds	▪ Voters will have to designate a use for these funds, so it might be limited. ▪ But it could also be written broadly.	
Timing	▪ Needs to be voted on, which includes time for prep, polling, and an election.	
Tradeoffs for Other City Needs	▪ MTA is looking at this as a future source. ▪ Possible that this could be looked at if street repaving needs another funding source in the future.	
Political Feasibility at State/Federal Level	▪ Likely the State wouldn't have a problem with a local VLF.	
Political Feasibility at Local/Regional Level	▪ VLF polls low – so voter approval is a concern. ▪ Especially considering voters just rejected the sales tax increase. ▪ Also this would be a hard case to make to voters re: nexus of VLF to Seawall Project.	
Administrative Complexity	▪ Easy to move funds to the Project if it passes.	
Equity/Cost Burden	▪ Based on value of car, so it's equitable.	

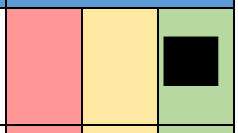
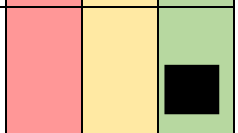
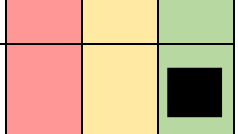
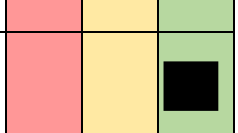
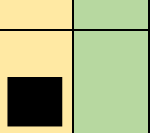
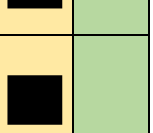
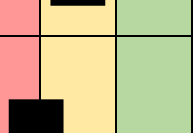
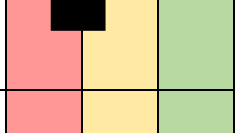
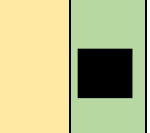
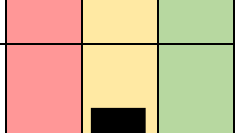
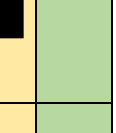
Value Capture Funding Strategy E22:
Assessment District (AD)

Criteria	Notes	Score
Source of Funds	▪ New source.	
Revenue Generating Potential	▪ Large. ▪ But would have to stay under property tax limit.	
Cost of Funds	▪ Could bond against these funds.	
Long Term Sustainability	▪ Once voted in and City has an engineering assessment, it could last a long time.	
Flexibility of Funds	▪ Can go towards capital or maintenance.	
Timing	▪ Takes a long time to put it together and gain support.	
Tradeoffs for Other City Needs	▪ Not competing with much else but would be included in property tax burden limit.	
Political Feasibility at State/Federal Level	▪ Could be difficult to comply with State law because you need to identify a specifically engineered benefit.	
Political Feasibility at Local/Regional Level	▪ Could be politically complicated for the Port to allow assessments on their own land which they would then need to pass on to its renters. ▪ Would have to pass in a public vote of the district.	
Administrative Complexity	▪ Complicated but doable. ▪ Some of the difficulties come from Port lease interests.	
Equity/Cost Burden	▪ Residents directly related to the waterfront are benefitting from the Seawall so they pay more for it.	
Other Notes	▪ Some considered this strategy infeasible because you need to identify a specifically engineered benefit (Prop 218). ▪ Could be better accomplished through a CFD.	

Value Capture Funding Strategy E23: Community Facilities District (CFD)

Criteria	Notes	Score
Source of Funds	▪ New source.	
Revenue Generating Potential	▪ Large. ▪ But would have to stay under property tax limit.	
Cost of Funds	▪ Could bond against CFD revenues. ▪ Easily understood and done.	
Long Term Sustainability	▪ Once voted in, the City could design a CFD that lasts a long time.	
Flexibility of Funds	▪ Can go towards capital or maintenance. ▪ Flexible.	
Timing	▪ Need to gather support, have a vote, and set up the district.	
Tradeoffs for Other City Needs	▪ No competition for Port.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ Need a public vote. ▪ Need a public outreach campaign, but the City could make the case.	
Administrative Complexity	▪ Slightly complex. ▪ But the process has been done before and is understood.	
Equity/Cost Burden	▪ Would pair nicely with a G.O. Bond because both the whole City and a specific waterfront district are contributing. ▪ The City could make band-based taxing zones and have different tax rates based on distance from waterfront.	
Other Notes	▪ Because of its long term sustainability, could be used to pay for Phase II of the Project.	

Value Capture Funding Strategy E24:
General Obligation (G.O.) Bonds

Criteria	Notes	Score
Source of Funds	▪ New source, but coming out of an existing City program.	
Revenue Generating Potential	▪ Capacity for hundreds of millions. ▪ $350 million proposed currently.	
Cost of Funds	▪ City has high credit ratings and receives low interest rates. ▪ Issuance costs not seen as a barrier.	
Long Term Sustainability	▪ No expiration date on funding source. ▪ Can fund short-term project.	
Flexibility of Funds	▪ Have to define in bond proposal what you want to do with funds and stick to this description once bond passes.	
Timing	▪ Timing dependent on when there is capacity in debt program, when there can be an election, and issuance market.	
Tradeoffs for Other City Needs	▪ We can only issue new bonds as old debt retires so many City needs compete for limited resources.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ Public support needed, 2/3 vote. ▪ G.O. Bond Program has been successful in recent years.	
Administrative Complexity	▪ Administration needed is well understood and managed.	
Equity/Cost Burden	▪ Cost burden spread throughout City.	

Value Capture Funding Strategy E25:
Infrastructure and Revitalization Financing Districts (IRFDs)

Criteria	Notes	Score		
Source of Funds				
Revenue Generating Potential				
Cost of Funds				
Long Term Sustainability				
Flexibility of Funds				
Timing				
Tradeoffs for Other City Needs				
Political Feasibility at State/Federal Level				
Political Feasibility at Local/Regional Level				
Administrative Complexity				
Equity/Cost Burden				
Other Notes	• Because of the similarity between IRFDs and IFDs, the group decided to consider this together with Strategy E26, *Local Property Tax Increment from IFDs*. See below.			

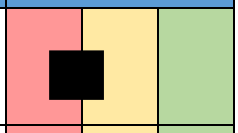
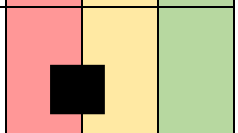
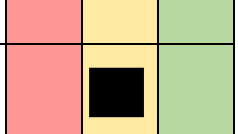
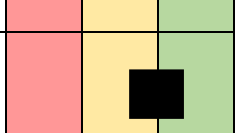
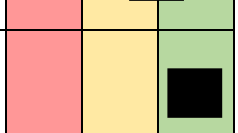
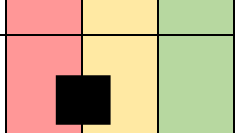
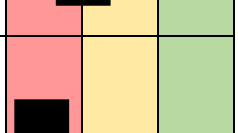
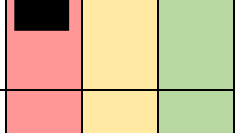
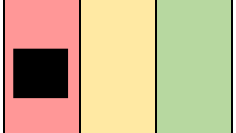
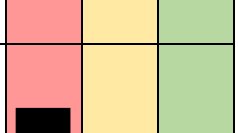
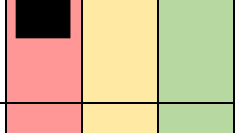
Value Capture Funding Strategy E26:
Local Property Tax Increment from Infrastructure Finance Districts (IFDs)

Criteria	Notes	Score
Source of Funds	▪ New source of funds, not impacting General Fund.	
Revenue Generating Potential	▪ Having new development would produce more revenue. ▪ If not, perhaps ~$30-40 million on one development in Pay-Go.	
Cost of Funds	▪ Can securitize this source.	
Long Term Sustainability	▪ Only so much development can be added in northeastern waterfront. ▪ Property tax increment will go up slightly over time. ▪ 45 year clock.	
Flexibility of Funds	▪ The way it's written now for Port, have to use the funds on capital projects.	
Timing	▪ Mechanism already exists. ▪ Have to go through legal proceedings to divert proceeds from specific projects.	
Tradeoffs for Other City Needs	▪ Competing with other Port needs. ▪ This is how the Port is paying for Pier 70 and Mission Rock currently.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ Board policy currently states that excess IFD money has to go to sea level rise and Seawall. ▪ Should be politically feasible.	
Administrative Complexity	▪ Mechanism already exists. ▪ Have to go through legal proceedings to divert proceeds from specific projects – slightly complex.	
Equity/Cost Burden	▪ Port/waterfront interests are paying for a project that affects them.	

Value Capture Funding Strategy E27:
Resilience Bonds/Insurance Value Capture

Criteria	Notes	Score		
Source of Funds	▪ Dependent on the insurance market.	■		
Revenue Generating Potential	▪ Not a true revenue generating source. ▪ CFD is a better way to get private investors to pay in.	■		
Cost of Funds	▪ Requires upfront funds and a high cost on those funds.	■		
Long Term Sustainability	▪ Not a long term solution. ▪ But an annual solution because it's at the mercy of the insurance market.	■		
Flexibility of Funds	▪ Would have to write the terms of the arrangement very specifically.	■		
Timing	▪ Would take a long time to formally create this type of an arrangement.	■		
Tradeoffs for Other City Needs	▪ Would require funds from another source to invest.	■		
Political Feasibility at State/Federal Level	▪ Currently, the commercial insurance market assumes City is safe from disasters and doesn't model in the Seawall as vulnerable.	■		
Political Feasibility at Local/Regional Level	▪ This is simply a way to move funds you already have away from the political budget allocation process in case there's a disaster event.	■		
Administrative Complexity	▪ Intellectual interest in this type of an arrangement, but modeling doesn't currently show this working.	■		
Equity/Cost Burden	▪ High cost of funds will result in higher cost burden in the long run.	■		
Other Notes	• Currently not a revenue generating tool despite being sold by the private sector. • This should be analyzed in the future to see if it's plausible then, but for now it's not.			

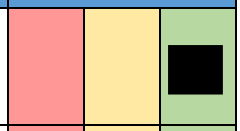
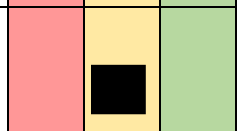
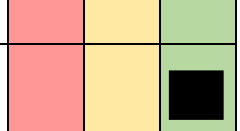
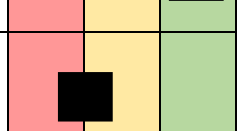
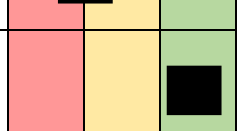
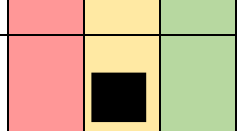
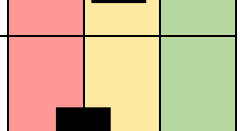
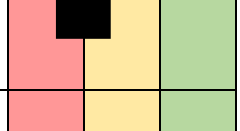
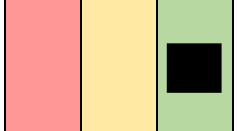
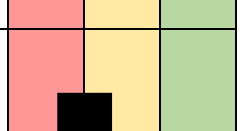
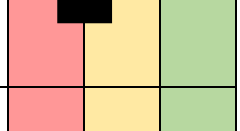
Value Capture Funding Strategy E28:
Sale/Lease Increment of Port Assets

Criteria	Notes	Score
Source of Funds	▪ Lease funds already are used for other Port needs.	
Revenue Generating Potential	▪ Not a lot of capacity to negotiate an increased lease. ▪ Most leases are long term and they already exist. ▪ Perhaps you could do this for a few leases for marginal gains.	
Cost of Funds	▪ Likely couldn't securitize this source.	
Long Term Sustainability	▪ If this was possible, it could result in a significant amount of funds that lasts a long time over a long lease. ▪ But it would be one-time.	
Flexibility of Funds	▪ Port funds to be used however Port wants.	
Timing	▪ Long term goal.	
Tradeoffs for Other City Needs	▪ Other Port needs. ▪ This is how the Port is currently funded.	
Political Feasibility at State/Federal Level	▪ Could face political opposition from regional groups and the State given that the Port is part of a State trust.	
Political Feasibility at Local/Regional Level	▪ Leasees could put political pressure on local leaders.	
Administrative Complexity	▪ Easy to implement.	
Equity/Cost Burden	▪ Port leasees would benefit from Project. ▪ But if too much of the cost is passed on to them, they could leave.	

General Taxes and Fees Funding Strategy F29:
Business License Fee Surcharge

Criteria	Notes	Score		
Source of Funds				
Revenue Generating Potential	▪ Very low since it's a fixed fee every year that the City would simply be adding a surcharge onto.			
Cost of Funds				
Long Term Sustainability				
Flexibility of Funds				
Timing				
Tradeoffs for Other City Needs				
Political Feasibility at State/Federal Level				
Political Feasibility at Local/Regional Level				
Administrative Complexity				
Equity/Cost Burden				
Other Notes	**Funding Strategy Dismissed** ▪ This strategy would not generate enough revenue.			

General Taxes and Fees Funding Strategy F30:
Parcel Tax

Criteria	Notes	Score
Source of Funds	▪ New source of funds. ▪ But from City residents.	
Revenue Generating Potential	▪ Moderate revenue generating potential. ▪ A G.O. Bond would be a better method to get the funds from a similar source.	
Cost of Funds	▪ Good, can bond against it.	
Long Term Sustainability	▪ Usually a parcel tax is written with a sunset clause. ▪ But if you securitized it, it could last longer.	
Flexibility of Funds	▪ Flexible.	
Timing	▪ Some timing constraints because there needs to be a public vote.	
Tradeoffs for Other City Needs	▪ Competing City needs. ▪ Usually used by schools. ▪ This is primarily a tool to fund operating budgets, not a capital tool.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ Would need to be a public vote. ▪ It could be more popular than other property tax measures because it's fixed.	
Administrative Complexity	▪ Simple to administer – it's done now.	
Equity/Cost Burden	▪ Regressive tax and worse than a G.O. Bond. ▪ It's a flat rate that affects lower socioeconomic households more.	
Other Notes	▪ Because they are similar, the group thought the City would do a G.O. Bond or a parcel tax, not both. ▪ A G.O. Bond would be better, so they scored this option lower.	

General Taxes and Fees Funding Strategy F31: Real Estate Transfer Tax Increase

Criteria	Notes	Score		
Source of Funds	▪ Non-City, new source. ▪ But it's volatile and subject to economic uncertainty.		■	
Revenue Generating Potential	▪ Depends on the rate chosen. ▪ The City just passed a higher rate in Nov. 2016. ▪ It is uncertain how much more revenue there is to gain.		■	
Cost of Funds	▪ Because it's economically volatile, the City cannot bond against it. ▪ Can use it as Pay-Go.		■	
Long Term Sustainability	▪ Subject to economic uncertainty, could be one year where there is a lot of revenue and years where there is none.		■	
Flexibility of Funds	▪ It is codified how the funds are to be used.		■	
Timing	▪ Need public vote.		■	
Tradeoffs for Other City Needs	▪ Competing with many City needs.	■		
Political Feasibility at State/Federal Level	▪ N/A.			■
Political Feasibility at Local/Regional Level	▪ Need a public vote. ▪ Slightly more likely to pass than other taxes. ▪ The City just asked voters to raise the rate in Nov. 2016.	■		
Administrative Complexity	▪ Hard to budget because of volatility. ▪ Slightly complex to administer.	■		
Equity/Cost Burden	▪ Progressive tax. ▪ Not a strong nexus to the Project.		■	

General Taxes and Fees Funding Strategy F32: Sales Tax Increase

Criteria	Notes	Score
Source of Funds	▪ New source of funds. ▪ But partially from City residents.	
Revenue Generating Potential	▪ Large revenue generating potential. ▪ Fixed to the economy. ▪ A 0.25% increase could yield ~$50M annually.	
Cost of Funds	▪ Easy to bond against, so low cost of funds.	
Long Term Sustainability	▪ Once voted in, it can last a long time. ▪ It is fixed to the economy.	
Flexibility of Funds	▪ Flexible use, could use it on whatever the City wanted.	
Timing	▪ Some timing constraints because there needs to be a public vote.	
Tradeoffs for Other City Needs	▪ Competing with many City entities who would all want to use this revenue. ▪ Perhaps only some portion of an overall increase goes to the Seawall Project.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ The most recent sales tax in November 2016 did not pass, and so another campaign would be difficult. ▪ Perhaps next time the City could do a special, dedicated tax with a 2/3 threshold – this would be harder to pass but it would send a clear signal on what the funds would be used for. ▪ In addition, the City could make the case that this would be a way to get visitors to contribute to the cost of the Project.	
Administrative Complexity	▪ Easy to administer as it is done now.	
Equity/Cost Burden	▪ A regressive tax. ▪ But would be a way to capture visitors' contributions.	

General Taxes and Fees Funding Strategy F33: Utility User Tax Increase

Criteria	Notes	Score
Source of Funds	▪ New source. ▪ But City residents would pay.	
Revenue Generating Potential	▪ Current utility user tax rate is 7.5% and is placed on telephone, electricity, gas, and water. The City currently collects about $94M annually in utility user taxes. ▪ Minimal revenue generating potential for the City to gain in addition to current rates.	
Cost of Funds	▪ It is not common to securitize this source.	
Long Term Sustainability	▪ Could last for a long time once it's voted in.	
Flexibility of Funds	▪ Goes into the General Fund, flexible.	
Timing	▪ Need a public vote and process to get all utilities on board.	
Tradeoffs for Other City Needs	▪ Competing needs, including the Broadband Project and the PUC in particular.	
Political Feasibility at State/Federal Level	▪ Might be some pushback from the State, where many utilities are controlled. ▪ Political pressure could be placed on the City.	
Political Feasibility at Local/Regional Level	▪ 2/3rds public vote. ▪ Utility lobbyists could influence vote. ▪ It might also be hard to make the nexus clear to voters. ▪ Companies would pass on charge to users.	
Administrative Complexity	▪ Easy to collect, it's done now. ▪ But can be hard to work with private and/or small utilities.	
Equity/Cost Burden	▪ Utilities would be impacted by the Seawall. ▪ But the nexus might not be as clear to the public.	
Other Notes	▪ Usually a revenue source used by cities/counties with low-generating tax bases.	

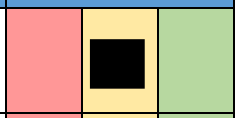
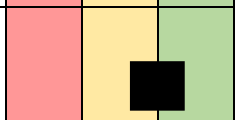
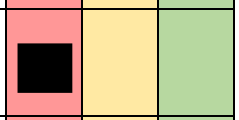
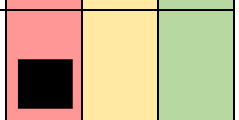
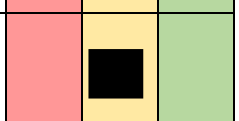
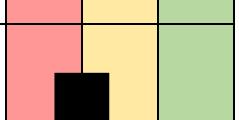
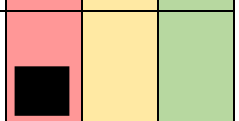
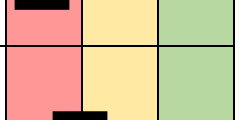
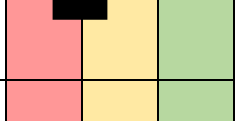
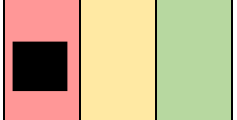
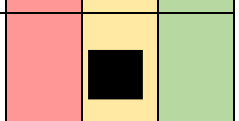
Regional Funding Strategy G34:
Cap & Trade Program Funding

Criteria	Notes	Score		
Source of Funds	▪ State funding.			■
Revenue Generating Potential	▪ Large revenue potential. ▪ 40% of Cap and Trade funds each year is allocated outside of established programs. ▪ Not sure exactly how much would be available though.			■
Cost of Funds	▪ This would be a one-time, large allocation. ▪ So there would be no borrowing and thus no cost.			■
Long Term Sustainability	▪ Just one large allocation.		■	
Flexibility of Funds	▪ Some nexus needed to the goal of reducing carbon emissions. ▪ Since mitigating sea level rise is shown to reduce carbon emission, likely these funds would have to go to sea level rise aspects of this Project.		■	
Timing	▪ Could take time to lobby the State to get the Project funded. ▪ But the Port could apply and re-apply each year.			■
Tradeoffs for Other City Needs	▪ MTA is also going for this source of funds. ▪ It would be conceivable that the Housing Authority and PUC could as well. ▪ However, there are separate pots of funds, which could lessen the competition.		■	
Political Feasibility at State/Federal Level	▪ State first has to re-authorize this program to solve some political and legal challenges to the program with a 2/3 State vote; it seems likely that this could happen. ▪ The City would then have to get the State delegation on board to convince the rest of the legislature and the Governor.		■	
Political Feasibility at Local/Regional Level	▪ Some competition between City agencies. ▪ However, there are separate pots of funds, which could lessen the competition.		■	
Administrative Complexity	▪ Grant application, some reporting necessary. ▪ Not too complex though, MTA has gotten these funds in the past.			■
Equity/Cost Burden	▪ Good nexus, sea-level rise work has been shown to lower carbon emissions, which is the primary purpose of the Cap and Trade Program.			■
Other Notes	▪ It seems like this is a good program in theory but the real question will be whether or not the funds could actually substantiate. ▪ If so, this could be a good strategy to pursue for Phase II of the Project, not Phase I.			

Regional Funding Strategy G35:
Congestion Pricing

Criteria	Notes	Score
Source of Funds	▪ New source. ▪ But would impact City residents.	
Revenue Generating Potential	▪ Could have a significant revenue potential.	
Cost of Funds	▪ Could securitize the source. ▪ But could also be pricey to implement because of upfront infrastructure costs (sensors, cameras, etc).	
Long Term Sustainability	▪ Once established, it would be set policy.	
Flexibility of Funds	▪ Nexus: transportation. ▪ Congestion would get worse if the Embarcadero was inoperable.	
Timing	▪ It would take a long time to further study, campaign, and implement this policy and finding funding for the upfront costs. ▪ As a fee, the City would need to use a cost recovery model. ▪ To avoid this and generate revenue for this Project, need a public vote.	
Tradeoffs for Other City Needs	▪ Other competing needs, especially SFMTA and other transportation needs.	
Political Feasibility at State/Federal Level	▪ At the federal level, congestion pricing has only been done on toll roads to mixed success. ▪ Otherwise, the political reaction is unknown.	
Political Feasibility at Local/Regional Level	▪ So far in its study phase, it has not received positive political attention. ▪ Would likely be a hard ballot to pass.	
Administrative Complexity	▪ Complex to study and implement given that there are only international models, no national models.	
Equity/Cost Burden	▪ Some nexus but could have a disparate impact on those who cannot rely on public transportation and rely on driving.	
Other Notes	▪ The scoring above is based upon a downtown congestion pricing idea. ▪ The group only briefly discussed the idea of implementing an Embarcadero toll road.	

Regional Funding Strategy G36:
Regional Gas Tax

Criteria	Notes	Score
Source of Funds	▪ Regional source, not a City source.	
Revenue Generating Potential	▪ $140 million annually expected. ▪ This would then have to be allocated to cities/projects where gas is sold.	
Cost of Funds	▪ There have been past difficulties with securitizing gas taxes.	
Long Term Sustainability	▪ It could be long term, often has a sunset clause built-in. ▪ In addition, it's a bit of a volatile source because it depends on economic activity. ▪ Gas sales have decreased over time and might continue decreasing.	
Flexibility of Funds	▪ Projects receiving revenues from gas taxes have to have a transportation nexus.	
Timing	▪ Need time to set up this tax up, campaign, and then put it up to a vote.	
Tradeoffs for Other City Needs	▪ Other competing needs citywide and regionally: BART, SFMTA, Caltrain, etc.	
Political Feasibility at State/Federal Level	▪ There would likely be some pushback on the State level.	
Political Feasibility at Local/Regional Level	▪ Need a regional vote. ▪ It is already expensive to drive and own a car in the City.	
Administrative Complexity	▪ Some complexity working with a regional partner.	
Equity/Cost Burden	▪ There is a good nexus, drivers paying for an important transportation route (Embarcadero) and an asset important to local transportation. ▪ However it could disproportionately affect those with older, less expensive cars with poor gas mileage. ▪ Could have a disparate impact on those who cannot rely on public transportation and rely on driving.	

Regional Funding Strategy G37:
RM3 – Bridge Tolls Program Funding

Criteria	Notes	Score
Source of Funds	▪ Regional source of funds, not a City source.	
Revenue Generating Potential	▪ Significant revenue potential.	
Cost of Funds	▪ Would be a low cost of funds. ▪ It would receive a high credit rating and low interest rate if securitized.	
Long Term Sustainability	▪ Long-time source if the Project is accepted into the program. ▪ However once the project budget line is set, it's fixed at that level.	
Flexibility of Funds	▪ Needs to have a transportation nexus.	
Timing	▪ This would be a long process. ▪ To place RM3 on the ballot, MTC still has to get State involvement and approval before putting it to a public vote. ▪ MTC is still looking at 2018 but it might be later.	
Tradeoffs for Other City Needs	▪ It is going to be a competitive process to put this Project on the list because many cities and regional entities have needs they want funded.	
Political Feasibility at State/Federal Level	▪ State has to approve the process and could have input on the project list.	
Political Feasibility at Local/Regional Level	▪ The regional board is political and historically has not favored SF-only projects. ▪ However there is a good nexus between the toll program and the Project. ▪ If the Project could get on the list, then funding would be more feasible as RM3 is likely to pass.	
Administrative Complexity	▪ Not too complex. ▪ But regional process and reporting requires some administration.	
Equity/Cost Burden	▪ There is some nexus between drivers and bridges to the Seawall. ▪ Since transportation is a big piece of the Project, there would be a connection between bridge funds and Seawall fortification. ▪ Could have a disparate impact on those who cannot rely on public transportation and rely on driving.	

Regional Funding Strategy G38:
Tax/Fee on Rental Cars

Criteria	Notes	Score		
Source of Funds				
Revenue Generating Potential	▪ MTA did a study and concluded that there is not a large revenue potential.			
Cost of Funds				
Long Term Sustainability				
Flexibility of Funds				
Timing				
Tradeoffs for Other City Needs				
Political Feasibility at State/Federal Level				
Political Feasibility at Local/Regional Level	▪ Because many rental agencies are in San Mateo County, the vote would have to be in both counties.			
Administrative Complexity				
Equity/Cost Burden	▪ Would be a way to have tourists and visitors contribute.			
	Funding Strategy Dismissed			
Other Notes	▪ Not a significant revenue potential. ▪ It would be difficult politically. ▪ The nexus is tenuous.			

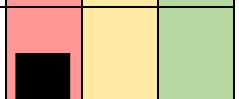
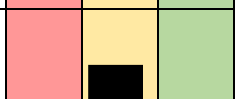
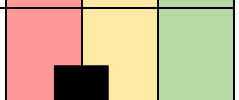
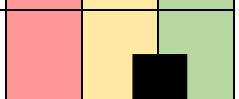
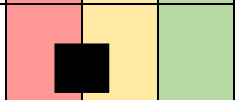
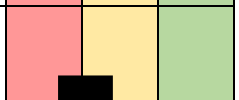
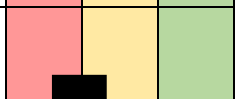
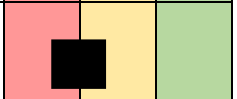
Other Local/Regional Funding Strategy H39: Advertising

Criteria	Notes	Score
Source of Funds	▪ Non-City, new source.	
Revenue Generating Potential	▪ Low revenue generating potential. ▪ MTA has an advertising revenue of $30M annually but they have a larger footprint to advertise on than the Port does.	
Cost of Funds	▪ Because there's not much revenue, likely can't bond against it.	
Long Term Sustainability	▪ Need to rely on getting advertisers annually.	
Flexibility of Funds	▪ Flexible.	
Timing	▪ Could implement immediately assuming the Port found advertisers.	
Tradeoffs for Other City Needs	▪ No other entity would want to compete for Port advertising funds.	
Political Feasibility at State/Federal Level	▪ State might care about advertising on the Trust land but likely not.	
Political Feasibility at Local/Regional Level	▪ Likely local pushback if there was too much advertising/commercialization.	
Administrative Complexity	▪ Port has a lot of historic buildings that would make advertising very limited. ▪ But it's not complex to apply those funds to any specific project.	
Equity/Cost Burden	▪ Equitable, businesses contribute.	
Other Notes	▪ America's Cup relied on advertising and it did not produce as much revenue as expected. ▪ There are limited places the Port could use for advertising.	

Other Local/Regional Funding Strategy H40:
Business Gross Receipts Tax Surcharge

Criteria	Notes	Score		
Source of Funds				
Revenue Generating Potential	▪ The business gross receipts tax is currently producing less revenue than expected.			
Cost of Funds				
Long Term Sustainability				
Flexibility of Funds				
Timing				
Tradeoffs for Other City Needs				
Political Feasibility at State/Federal Level				
Political Feasibility at Local/Regional Level				
Administrative Complexity	▪ The City is currently phasing out the payroll tax. ▪ And they are still fixing the gross receipts tax process because it is not collecting the amount of revenue expected.			
Equity/Cost Burden				
Other Notes	**Funding Strategy Dismissed** ▪ Not feasible at this time given the administrative complexity in setting up the new tax.			

Other Local/Regional Funding Strategy H41: Environmental Impact Bonds

Criteria	Notes	Score
Source of Funds	▪ Not City funds. ▪ Private upfront capital.	
Revenue Generating Potential	▪ Tens of millions, not too significant in the past. ▪ City would have to repay it with another funding source.	
Cost of Funds	▪ Because the City would need to repay investors, the cost would be higher than the G.O. Bond market. ▪ But could be less than other interest rates/sources because you're tying repayment to outcome.	
Long Term Sustainability	▪ Usually just a one-time investment. ▪ Usually the bonds created are shorter (~7 yrs.), not the long-term 20-30 yrs. G.O. Bonds.	
Flexibility of Funds	▪ There may be a limited range of projects that would attract investors. ▪ If you get the bond, the City could design the bond how you need it. ▪ Can use the funds flexibly.	
Timing	▪ Would take years to set this up because it's complex.	
Tradeoffs for Other City Needs	▪ Other City agencies would want to do this type of an arrangement if the City leadership was on board. ▪ The City would likely want to use this tool on other projects. ▪ In the past, it's been used for service provider type projects (housing, homelessness, etc.) rather than a fortification project like this.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ It would very complicated to set up. ▪ There could be political pushback on doing it at all and disagreements about how to set it up.	
Administrative Complexity	▪ Complex structure.	
Equity/Cost Burden	▪ Non-City, private source of funds. ▪ But high cost of funds will result in higher cost burden in the long run depending on how the City pays back the source.	

Other Local/Regional Funding Strategy H42: Green/Climate Bonds

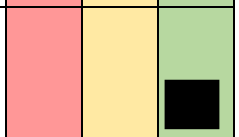
Criteria	Notes	Score		
Source of Funds				
Revenue Generating Potential				
Cost of Funds				
Long Term Sustainability				
Flexibility of Funds				
Timing				
Tradeoffs for Other City Needs				
Political Feasibility at State/Federal Level				
Political Feasibility at Local/Regional Level				
Administrative Complexity				
Equity/Cost Burden				

Funding Strategy Dismissed

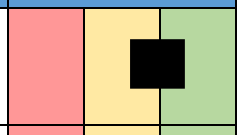
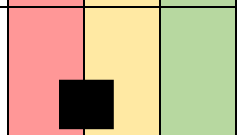
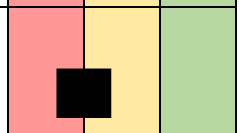
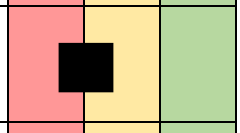
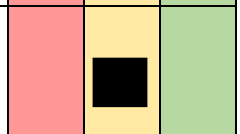
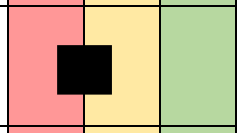
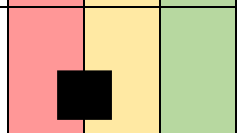
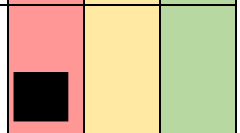
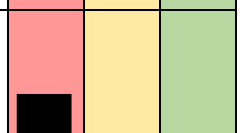
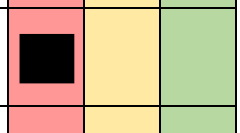
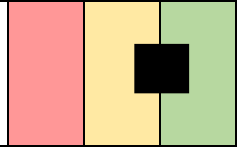
Other Notes

- Essentially the same as a G.O. Bond, which was already discussed.
- The City doesn't need to use a "green" label to attract investors because of the City's high credit ratings in our G.O. Bond Program.

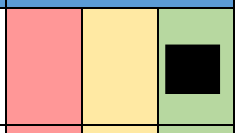
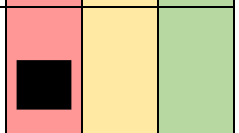
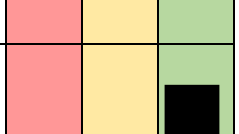
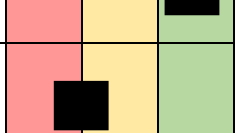
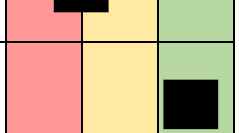
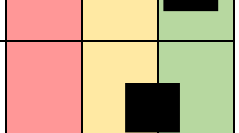
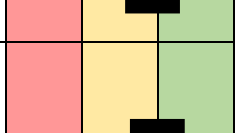
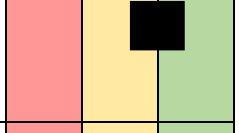
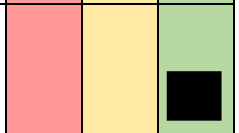
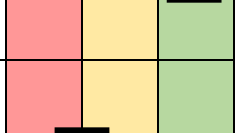
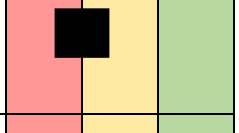
Other Local/Regional Funding Strategy H43:
Hotel Assessment

Criteria	Notes	Score
Source of Funds	▪ Non-City source.	
Revenue Generating Potential	▪ Large revenue potential. ▪ Hotels are doing well. ▪ There is capacity for another assessment on hotels.	
Cost of Funds	▪ Large amount of funds from the City's many hotels so there would be good credit.	
Long Term Sustainability	▪ Other assessment districts are set for 30-40 years. ▪ Hotel industry will look for a sunset clause.	
Flexibility of Funds	▪ With this type of assessment district, as long as the funds are being used for public purposes, the funds are flexible.	
Timing	▪ Local process and special election for hotels. ▪ Would first need to do outreach and get support from hotels and then work with the Board and Mayor's Office.	
Tradeoffs for Other City Needs	▪ Hotels might want to reserve further assessment capacity for future Moscone Convention improvements. ▪ Many City departments could make a case for tourism-related projects (transportation, housing, etc.) that could benefit from assessment revenues.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ Hotels might oppose this measure – there have been past difficulties negotiating assessment rates. ▪ As noted above, hotels might not think the nexus is strong enough and would want to reserve capacity for future Moscone improvements.	
Administrative Complexity	▪ Slightly complex to set up and administer these assessment districts.	
Equity/Cost Burden	▪ Good nexus. ▪ This would be a way for tourists to contribute to the Project, which is important considering the waterfront is home to many of the most-visited tourist attractions.	

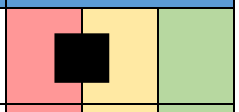
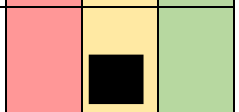
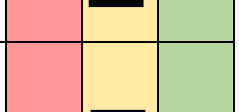
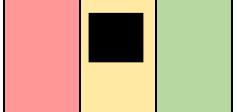
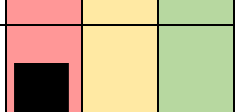
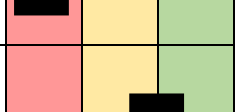
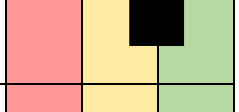
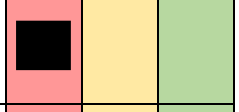
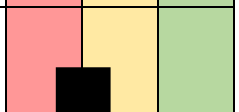
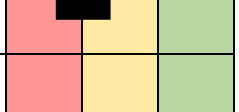
Other Local/Regional Funding Strategy H44: Infrastructure Trust Bank

Criteria	Notes	Score
Source of Funds	▪ Private capital, not City funds. ▪ But will eventually have to pay back with City funds.	
Revenue Generating Potential	▪ Uncertain. ▪ Could be a sizeable amount of upfront capital. ▪ But would later need another revenue source to repay.	
Cost of Funds	▪ There will be a significant cost because this model is based on the idea that investors need a return on investments. ▪ Therefore, their interest rate will be significantly more than the G.O. Bond market.	
Long Term Sustainability	▪ Usually the City would be cultivating an investor for a one-time investment.	
Flexibility of Funds	▪ Uncertain depending on the established rules. ▪ Could set up the organization to support projects like this and support flexible use of funds.	
Timing	▪ Would take a long time to set up.	
Tradeoffs for Other City Needs	▪ Assuming this is a viable organization, there could be many City needs to compete with.	
Political Feasibility at State/Federal Level	▪ Might get some pushback from the State because the only other major model is in Chicago, which has not been very successful.	
Political Feasibility at Local/Regional Level	▪ Might get some pushback because the only other major model is in Chicago, which has not been very successful. ▪ Also, more likely to happen at the regional level than at the City level.	
Administrative Complexity	▪ Very complex.	
Equity/Cost Burden	▪ Non-City, private source of funds. ▪ But high cost of funds will result in higher cost burden in the long run depending on how the City pays back the source.	

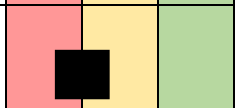
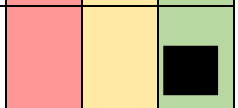
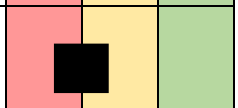
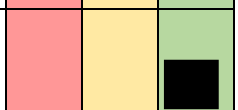
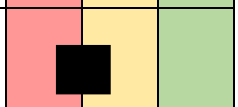
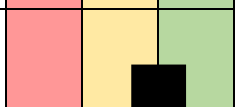
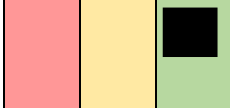
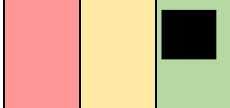
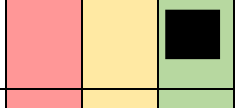
Other Local/Regional Funding Strategy H45: Naming Rights

Criteria	Notes	Score
Source of Funds	▪ Non-City funds.	
Revenue Generating Potential	▪ Not much unless a specific donor was identified. ▪ For example, ZSFGH got ~ $70 million.	
Cost of Funds	▪ Free gift.	
Long Term Sustainability	▪ One-time gift.	
Flexibility of Funds	▪ Flexible.	
Timing	▪ Could take some time to cultivate a donor. ▪ If the funds were acquired, they could be expended relatively quickly.	
Tradeoffs for Other City Needs	▪ No other City entity would be competing for naming rights on Port property. ▪ Unless this Project wanted to collect proceeds from trying to name a property not owned by the Port. ▪ In theory there is a limited number of donors willing to pay for naming rights, and this Project could compete for other needs in that respect.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ Local pushback if there was too much advertising/commercialization.	
Administrative Complexity	▪ Could be complicated to cultivate a donor. ▪ Otherwise using the funds would be relatively simple.	
Equity/Cost Burden	▪ Private donation to the Project.	
Other Notes	▪ The group did not have any specific ideas about what the Port could sell naming rights to. ▪ The only specific idea considered was selling bricks along the Embarcadero. Even so, likely little revenue to generate.	

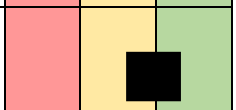
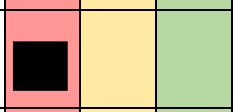
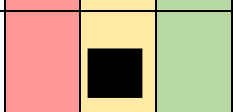
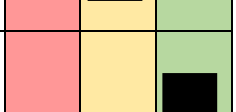
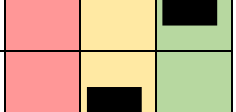
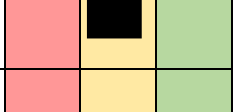
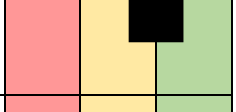
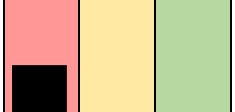
Other Local/Regional Funding Strategy H46:
Pension Plan Investment

Criteria	Notes	Score
Source of Funds	▪ Upfront capital, but need another source to pay it back.	
Revenue Generating Potential	▪ Significant upfront capital but need another source to pay it back.	
Cost of Funds	▪ Higher than the G.O. Bond market ▪ But lower than other options, like a P3. ▪ However, pensions have a fiduciary responsibility (to be fiscally responsible) to use at least a market rate interest rate which could get expensive for this Project.	
Long Term Sustainability	▪ One-time investment, likely.	
Flexibility of Funds	▪ Likely flexible. ▪ However there could be only aspects of the Project that would be interesting to investors.	
Timing	▪ Could take a long time to cultivate this idea.	
Tradeoffs for Other City Needs	▪ Likely no competition.	
Political Feasibility at State/Federal Level	▪ State might be opposed to this. ▪ CALPERS might not be interested because they have a fiduciary responsibility to make money for their investors. ▪ But CALPERS has invested in some infrastructure projects in the past. ▪ There are many types of pension funds based on industry so maybe one or two of them might be interested: construction laborers for example.	
Political Feasibility at Local/Regional Level	▪ Same as above for SFERS. ▪ Might be able to make the case more to CALPERS than SFERS.	
Administrative Complexity	▪ Complex for both SFERS and CALPERS.	
Equity/Cost Burden	▪ Mixed opinion. ▪ State employees would be investing in public/social good projects in their own backyards. ▪ But it could depend on the specific pension fund.	
Other Notes	▪ Affordable housing projects have looked at investing in SFERS and were turned down. ▪ The group mostly discussed CALPERS or other labor unions.	

Other Local/Regional Funding Strategy H47: Philanthropy

Criteria	Notes	Score
Source of Funds	▪ Free funds, non-City source.	
Revenue Generating Potential	▪ Uncertain. Perhaps tens of millions. ▪ Could be a lot of money if a generous donor was identified.	
Cost of Funds	▪ Free donation.	
Long Term Sustainability	▪ One-time gift.	
Flexibility of Funds	▪ Flexible.	
Timing	▪ Would take time to cultivate a donor.	
Tradeoffs for Other City Needs	▪ As there are only so many donors willing to give money, Port would be competing with any other large City project that could use donations.	
Political Feasibility at State/Federal Level	▪ N/A.	
Political Feasibility at Local/Regional Level	▪ Likely no political problems.	
Administrative Complexity	▪ Easy to use these funds.	
Equity/Cost Burden	▪ Private donation to the Project.	
Other Notes	▪ No specific donors were identified by the group. ▪ However this Project might involve park and environmental improvement projects, which could be a good target for philanthropy. This was proven successful in similar NYC efforts. ▪ Also, maybe the Port could find a donor interested in donating to restore the Embarcadero Historic District.	

Other Local/Regional Funding Strategy H48:
Public Private Partnerships (P3s)

Criteria	Notes	Score
Source of Funds	▪ Upfront capital. ▪ Have to pay back with some form of City funds.	
Revenue Generating Potential	▪ Could be significant upfront capital. ▪ No new revenue – need to pay back the funds.	
Cost of Funds	▪ Very expensive compared to the G.O. Bond market.	
Long Term Sustainability	▪ Usually a one-time investment.	
Flexibility of Funds	▪ Flexible depending on terms of the agreement.	
Timing	▪ Takes time to set it up.	
Tradeoffs for Other City Needs	▪ There would be no competition if a developer wanted to take on the project.	
Political Feasibility at State/Federal Level	▪ State might care because a private developer would be working on Trust land.	
Political Feasibility at Local/Regional Level	▪ Could be political pushback. ▪ Some people like P3's and some do not believe it is a good idea.	
Administrative Complexity	▪ Complex to set up the arrangement in the first place. ▪ Could be complex to work with private partner afterwards too.	
Equity/Cost Burden	▪ Non-City, private source of funds. ▪ But high cost of funds will result in higher cost burden in the long run depending on how the City pays back the source.	
Other Notes	▪ This is mostly a delivery model and not a new revenue generating funding source. ▪ Port does this now but mostly through real estate deals where they negotiate leases where developers do capital improvements to leased lands. ▪ However, this is often used in situations where developers would take on maintenance costs in addition to the initial development. The Seawall is a unique project that will likely not require much maintenance.	