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COMMUNITY FACILITIES DISTRICT REPORT

CITY OF SOUTH SAN FRANCISCO

COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)

COUNTY OF SAN MATEO, STATE OF CALIFORNIA

Report Date: March 10, 2021

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(PUBLIC FACILITIES AND SERVICES)

Prepared for:

City of South San Francisco

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South San Francisco, CA 94080

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I INTRODUCTION

WHEREAS, the City of South San Francisco ("City") duly adopted its Resolution No. 18-2021 (the "Resolution of Intention") on January 27, 2021, wherein the City declared its intention to and proposed to establish a Community Facilities District ("CFD") within the jurisdictional boundaries of the City of South San Francisco, California, to be designated and known as "Community Facilities District No. 2021-01 (Public Facilities and Services), City of South San Francisco, County of San Mateo, State of California" (the "Community Facilities District No. 2021-01" or the "District"), under and pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982," being Chapter 2.5, Part 1, Division 2, Title 5 (beginning with Section 53311) of the Government Code of the State of California (the "Act"); and

WHEREAS, the City has determined that the establishment of the CFD is consistent with and follows the local goals and policies concerning the use of the Act that have been adopted by the City, as modified from time to time; and

WHEREAS, the proposed boundaries of the CFD are shown on the boundary map entitled "Proposed Boundaries of CFD No. 2021-01 (Public Facilities and Services), City of South San Francisco, County of San Mateo, State of California" (the "Boundary Map") as shown in **Appendix B**; and

WHEREAS, the City has duly considered the advisability and necessity of levying a special tax (the "Special Tax") to finance the acquisition and construction of certain public capital facilities (the "Facilities") to be owned by the City and certain services (the "Services"); and

WHEREAS, the Facilities and Services described in the previous paragraph are set forth in the Resolution of Intention; and

WHEREAS, Attachment C to the Resolution of Intention, and incorporated therein by reference, is the Rate and Method of Apportionment of the Special Tax; and

WHEREAS, the Resolution of Intention, Resolution 18-2021, in its Section 10, directs:

> Each City officer who is or will be responsible for providing the Facilities and the Services within proposed Community Facilities District No. 2021-01, if it is established, is hereby directed to study the proposed District and, at or before the time of the above-mentioned Hearing, file a report with the City Council containing a brief description of the public Facilities and Services by type which will in his or her opinion be required to meet adequately the needs of proposed CFD No. 2021-01 and an estimate of the cost of providing those public Facilities and Services, including the cost of environmental evaluations of such Facilities and Services and an estimate of the fair and reasonable cost of any Incidental Expenses to be incurred.

NOW, THEREFORE, DTA, as the City's Special Tax Consultant, does hereby submit the CFD Report ("Report").

II PROJECT DESCRIPTION

The CFD encompasses over 40 gross acres of land in the City of South San Francisco, and the project site is located east of the Oyster Point Marina. At build-out, it is currently expected that the CFD, in its entirety, will consist of 2,254,210 square feet of life science research and development office space.

III DESCRIPTION AND ESTIMATED COSTS OF PUBLIC FACILITIES AND SERVICES

A CFD may provide for the purchase, construction, expansion, or rehabilitation of any real or tangible property, including public facilities and infrastructure improvements, with an estimated useful life of five (5) years or longer, which is necessary to meet increased demands placed upon local agencies as a result of development or rehabilitation occurring within the CFD. In addition, a CFD may pay in full all amounts necessary to eliminate any fixed special assessment liens or to pay, repay, or defease any obligation to pay for any indebtedness secured by any tax, fee, charge, or assessment levied within the area of the CFD. A CFD may also provide for financing of certain public services to meet these demands.

A Description of Public Facilities

The type of public facilities proposed to be eligible for funding by the District, as identified in the Resolution of Intention, shall consist of those items listed below. It is intended that the District will be authorized to finance all or a portion of the costs of any of the following Facilities to be owned and operated by the City:

A.1 Public Facilities

- Roadway and transportation improvements;
- Water system improvements;
- Recycled water system improvements;
- Drainage system improvements;
- Wastewater system improvements;
- Parks, trails, landscaping, and open space improvements;
- Fire station;
- Impact fees;
- Other public improvements; and
- Private utility facilities.

A.2 Public Facilities Administrative and Incidental Expenses

In addition to the above Facilities, other incidental expenses that may be financed by the CFD include, but are not limited to, the following:

- The cost of planning, permitting, approving, and designing the authorized Facilities (including the cost of environmental evaluation, orthophotography, environmental remediation/mitigation);
- Land acquisition and easement payments for authorized Facilities;
- Project management, construction staking;

- Engineering studies; utility relocation and demolition costs incidental to the construction of the public Facilities; and
- Any other expenses incidental to the construction, completion, and inspection of the Facilities and related expenses associated with any of the foregoing.

In addition, the CFD shall fund the direct and indirect expenses incurred by the City in carrying out its duties with respect to the CFD including, but not limited to:

- The levy and collection of the Special Taxes;
- The fees and expenses of attorneys;
- Any fees related to the collection of Special Taxes;
- An allocable share of the salaries and benefits of any City staff, or consultant fees, directly related thereto and a proportionate amount of the City's general administrative overhead related thereto;
- Expenses incurred by the City in undertaking action to foreclose on properties for which the payment of Special Taxes is delinquent;
- Administrative fees of the City and the bond trustee or fiscal agent related to the District and the bonds issued by or for the District;
- Costs related to the formation of the District;
- Reimbursement of costs related to the formation of the District advanced by City, the landowner(s) in the District or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, the landowner(s) in the District or any party related to any of the foregoing, for Facilities, fees or other purposes or costs of the District; and
- Costs related to the issuance of bonds by or for the District, including underwriters discount, reserve fund, capitalized interest, letter of credit fees and expenses, fees and expenses of bond counsel, disclosure counsel, special tax consultant, municipal advisor and appraiser, bond remarketing costs, and all other incidental expenses; and all other costs and expenses of the City in any way related to the District.

The expenses of certain recurring services pertaining to the CFD may be included in each annual Special Tax levy, and these expenses are described in the definition of the term "Administrative Expenses" as set forth in the Rate and Method of Apportionment for the CFD attached hereafter as **Appendix A**.

B Estimated Costs of Public Facilities

The CFD is expected to issue one or more series of bonds for the construction, acquisition, expansion, improvement, or rehabilitation of the proposed Facilities. The total amount of construction proceeds generated from bonds is projected to be approximately $69 million. This amount is an estimate and subject to change, depending on the interest rates of the bonds, the costs of issuance of the bonds, and other factors to be determined at the time the bonds are issued.

C Description of Services

A CFD may finance any one or more of the following types of services: police protection services; fire protection and suppression services; ambulance and paramedic services; recreation program services, library services, maintenance services for elementary and secondary school sites and structures, operation and maintenance of museums and cultural facilities; maintenance of parks, parkways (including street lights), and open space; flood and storm protection services, including the operation and maintenance of storm drainage systems and sandstorm protection systems; services with respect to the removal or remedial action cleanup of hazardous substances.

C.1 Services

The District shall provide and finance Services including, but not limited to:

- Police protection services;
- Maintenance and lighting of parks, parkways, streets, roads, and open space, including, without limitation:
    - Roadway maintenance,
    - Streetlight maintenance and operations,
    - Traffic signal maintenance and operations,
    - Parks, waterfront, and Bay Trail maintenance,
    - Landscaping, parkway, median and open space maintenance, including erosion prevention,
    - Public surface parking maintenance,
    - Operation and maintenance of public restroom buildings, and
- Operation and maintenance of storm drainage systems.

C.2 Services Administrative and Incidental Expenses

In addition to the above Services, other incidental expenses that may be financed by the CFD include, but are not limited to, the following:

- All related administrative costs and expenses,
- Necessary utility (water and electricity) costs, and
- Related reserves for replacement of vehicles, equipment, and facilities.

D Estimated Costs of Services

As defined in the Rate and Method of Apportionment shown in **Appendix A**, the maximum Special Taxes that could be levied in Fiscal Year 2021-2022 would be $0.35 per square foot of Non-Residential Floor Area, or approximately $800,000 per year for Developed Property. The actual amount to be levied will be determined by the City Council on an annual basis.

The Services may be financed only to the extent that such Services are in addition to those services provided within the boundaries of the CFD before creation of the CFD, and such Services may not supplant services already available within the CFD at creation of said CFD.

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IV BONDED INDEBTEDNESS AND INCIDENTAL EXPENSES

A Projected Bond Sales

The maximum authorized bonded indebtedness for the CFD is $105,000,000.

It is anticipated that the City will sell one or more series of bonds authorized by the CFD.

B Incidental Bond Issuance Expenses to be Included in the Proposed Bonded Indebtedness

Pursuant to Section 53345.3 of the Act, bonded indebtedness may include all costs and estimated costs incidental to, or connected with, the accomplishment of the purpose for which the proposed debt is to be incurred, including, but not limited to, the estimated costs of construction or acquisition of buildings, or both; acquisition of land, rights-of-way, water, sewer, or other capacity or connection fees, satisfaction of contractual obligations relating to expenses or the advancement of funds for expenses existing at the time the bonds are issued, architectural, engineering, structural, geotechnical, inspection, legal, fiscal, and financial consultant fees; bond and other reserve funds; discount fees; interest on any bonds of the district estimated to be due and payable within two (2) years of issuance of the bonds; election costs; and all costs of issuance of the bonds, including, but not limited to, fees for Bond Counsel and Special Tax Consultant, costs of obtaining credit ratings, bond insurance premiums, fees for letters of credit, and other credit enhancement costs, and printing costs. For the future bonds proposed to be issued by the CFD, the reserve fund is estimated at approximately 8% of the principal amount of the bonds, capitalized interest is estimated at approximately 4% of the principal amount of the bonds, and all other incidental bond issuance expenses are estimated at approximately 2% of the principal amount of the bonds. Actual bond issue assumptions will vary from the above estimates.

C Incidental Expenses to be Included in the Annual Levy of Special Taxes

Pursuant to Section 53340 of the Act, the proceeds of any special tax may only be used to pay, in whole or part, the cost of providing public facilities, services and incidental expenses. As defined by the Act, incidental expenses include, but are not limited to, the cost of planning and designing public facilities to be financed, including the cost of environmental evaluations of those public facilities; the costs associated with the creation of the district, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or costs otherwise incurred in order to carry out the authorized purposes of the district; any other expenses incidental to the construction, completion, and inspection of the authorized work; and the costs associated with the retirement of existing bonded indebtedness. While the actual cost of administering the District may vary, it is anticipated that the amount of Special Taxes which can be collected will be sufficient to fund at least $50,000 in annual administrative expenses.

V RATE AND METHOD OF APPORTIONMENT

All of the property located within the CFD, unless exempted by law or by the Rate and Method of Apportionment, shall be taxed for the purpose of providing necessary public facilities to serve the CFD. Pursuant to Section 53325.3 of the Act, the tax imposed "is a special tax and not a special assessment, and there is no requirement that the tax be apportioned on the basis of benefit to any property." The special tax "may be based on benefit received by parcels of real property, the costs of making authorized facilities available to each parcel, or other reasonable basis as determined by the legislative body," although the special tax may not be apportioned on an ad valorem basis pursuant to Article XIIIA of the California Constitution.

As shown in **Appendix A**, the Rate and Method of Apportionment provides information sufficient to allow each property owner within the CFD to estimate the maximum annual Special Tax he or she will be required to pay. Sections A and B, below, provide additional information on the Rate and Method of Apportionment for the District.

A Explanation for Special Tax Apportionment

When a CFD is formed, a special tax may be levied on each parcel of taxable property within the CFD to pay for the construction, acquisition, and rehabilitation of public facilities, to pay for authorized services or to repay bonded indebtedness, or other related expenses incurred by a CFD. This special tax must be apportioned in a reasonable manner; however, the tax may not be apportioned on an ad valorem basis.

The Act does not require that special taxes be apportioned to individual parcels based on benefit received. However, in order to ensure fairness and equity, benefit principles have been incorporated in establishing the Special Tax rates for the CFD.

No Special Tax shall be levied on Public Property and Property Owner Association Property in the CFD provided that no such exemption shall reduce the total Acreage of Taxable Property to less than 40 acres.

Based on the types of public facilities to be financed for the CFD and the factors described above, the Special Taxes assigned to Developed Properties are generally proportionate to the relative benefits received by them, and, accordingly, the Special Taxes in the CFD can be considered fair and reasonable.

B Maximum Special Tax

As defined in Tables 1 and 2 of the Rate and Method of Apportionment shown in **Appendix A**, the Fiscal Year 2021-2022 Maximum Special Taxes that may be levied against Developed Property within the CFD to fund the Special Tax Requirements are $2.00 per square foot of Non-Residential Floor Area for Special Tax A to fund Public Facilities, and $0.35 per square foot of non-residential floor area for Special Tax B to fund Services. The Maximum Special Taxes for Developed Property are subject to annual escalation of 2.00%.

The Fiscal Year 2021-2022 Maximum Special Tax A for each Assessor's Parcel of Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property for CFD No. 2021-01 shall be $138,118 per acre.

The Fiscal Year 2021-2022 Backup Special Tax A on an Assessor's Parcel of Developed Property, for a Plot of Land that includes one or more Airspace Parcels, shall equal $700,106 per acre. The Backup Special Tax A for an Assessor's Parcel on a Plot of Land with no Airspace Parcels, shall equal $138,118 per acre.

C Accuracy of Information

In order to establish the Maximum Special Tax rates for the CFD as set forth in the Rate and Method of Apportionment, DTA has relied on information regarding land-use types, geographic location, and Taxable Property provided to it by others. DTA has not independently verified such data and disclaims responsibility for the impact of inaccurate data, if any, on the Rate and Method of Apportionment for the CFD, including the inability to meet the financial obligations within the CFD.

VI BOUNDARIES OF THE CFD

The boundaries of the CFD include all land on which the Special Taxes may be levied. A reduced scale map showing the boundaries of the CFD is provided as **Appendix B**. The full-scale map is on file with the San Mateo County Recorder's Office and was recorded on February 19, 2021, at 8:42 am in the San Mateo County Recorder's Office at Book 18 of Maps of Assessment and CFDs at Page 70 (Instrument No. 2021-900012), and there has been no change in the boundaries of the CFD since its formation, nor is any contemplated here.

VII GENERAL TERMS AND CONDITIONS

A Substitution of Public Facilities

The descriptions of the Public Facilities, as set forth herein, are general in their nature. The City will determine the final nature, location, and costs of improvements and facilities upon the preparation of final plans and specifications. The final plans may show substitutes, in lieu of modifications to the proposed work in order to accomplish the work of improvement, and any such substitution shall not be a change or modification in the proceedings as long as the public facilities provide a service substantially similar to that as set forth in this Report.

B Substitution of Services

The descriptions of the Services, as set forth herein, are general in their nature. The City will determine the final nature, location, and costs of services upon the preparation of final plans and specifications. The actual Services funded may show substitutes, and any such substitution shall not be a change or modification in the proceedings as long as the public services are substantially similar to that as set forth in this Report.

C Appeals and Interpretations

Pursuant to Section F of the Rate and Method of Apportionment for the CFD, any landowner or resident who feels that the amount of the Special Tax levied on his or her Assessor's Parcel is in error may submit a written appeal to the CFD Administrator or its designee. The CFD Administrator shall review the appeal and if the CFD Administrator concurs, the amount of the Special Tax levied shall be appropriately modified through an adjustment to the Special Tax levy in the following Fiscal Year. Interpretations may be made by City by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in the Rate and Method of Apportionment for the CFD.

D Prepayment of Special Tax

The Special Tax applicable to an Assessor's Parcel in the CFD may be prepaid according to the prepayment provisions identified in Section H of the Rate and Method of Apportionment for the CFD.

APPENDIX A

City of South San Francisco
Community Facilities District Report
Community Facilities District No. 2021-01 (Public Facilities and Services)

RATE AND METHOD OF APPORTIONMENT

APPENDIX B

City of South San Francisco
Community Facilities District Report
Community Facilities District No. 2021-01 (Public Facilities and Services)

BOUNDARY MAP

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