



City of South San Francisco

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Staff Report

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TITLE

Report regarding the formation of the Eastern Neighborhoods Community Facilities District (*Christina Fernandez, Deputy City Manager; Jason Wong, Deputy Finance Director; Noah Christman, Lighthouse Public Affairs; Daniel Jacobson, Fehr & Peers; Susan Goodwin, Goodwin Consulting Group; and Brian Forbath, Stradling, Yocca, Carlson, & Rauth*)

RECOMMENDATION

It is recommended City Council receive an update on the Eastern Neighborhoods Community Facilities District (CFD) and continue the process with a subsequent City Council meeting adopting a Resolution of Intention, setting forth the City's intention to establish a CFD.

BACKGROUND

The City of South San Francisco is proudly known as the Industrial City and the Birthplace of Biotechnology. Both uses have intensified over the years with the East of 101 as an economic hub in San Mateo County. Land uses range from life science and biotechnology to light industrial manufacturing and warehousing. Despite the variety of uses, the future success of this economic engine requires modernization and investment in transportation infrastructure to remain economically competitive.

In 2019, the City began efforts to improve and modernize transportation infrastructure East of Highway 101 through the creation of the East of 101 CFD. Despite having sufficient property owner support, the COVID-19 pandemic created economic uncertainty for all stakeholders. Thus, these efforts were put on hold with the intention of restarting efforts post-pandemic.

In 2022, the City participated in the Oyster Point Mobility Vision Plan, an employer led effort by Oyster Point property owners. This effort provided property owners the opportunity to give their feedback on potential transportation improvements East of Highway 101. These meetings provided the City the opportunity to hear directly from Oyster Point property owners on their transportation needs. These meetings recommended with the City's transportation master plans laid the groundwork for a new iteration of a Community Facilities District renamed the Eastern Neighborhoods Community Facilities District.

The need for infrastructure improvements East of 101 remains as it did in 2019. At the time, the City anticipated employment growth of 55,000 workers by 2040, a near doubling of employment growth. Despite a global pandemic, the City's General Plan now estimates a near tripling of employment growth of 101,000 workers East of 101 by 2040. Existing infrastructure is insufficient to handle this growth as it was built for lower intensity industrial uses. The private sector has expressed a desire to modernize streets to move people safely and efficiently, providing world-class active transportation and transit infrastructure.

Recommended Traffic and Transit Solutions

The Eastern Neighborhoods CFD (CFD) is made up of projects supported by plans already adopted by the City including the General Plan, Active South City, and Mobility 20/20. The CFD priority list includes feedback received from the Oyster Point Mobility Steering Committee. Modifications were also made in response to stakeholder feedback received during an extensive outreach process.

The CFD takes a holistic approach to address the needs of everyone traveling in the East of 101 Area – including walking, biking, transit, auto, and freight. A key goal of the CFD is to improve safety and efficiency for all transportation modes. One example of this is the creation of transit only lanes that separates commuter shuttles and SamTrans buses from traffic congestion. Another priority goal is for the CFD to benefit everyone, regardless of where a property is located. With these goals in mind, the prioritization of the project list was made possible with extensive stakeholder engagement, analysis by transportation planning firm, Fehr & Peers, and thorough review by City staff.

Fehr & Peers, in coordination with City staff, prepared complete street studies of all major street corridors East of 101, culminating in the preparation of conceptual designs identifying improvement measures for each street. These key changes improved safety, access, throughput, and connections. The study of all the major street corridors identified include the modernization of Oyster Point, East Grand, Gateway, Forbes, South Airport, and Utah, access to Caltrain, new streets and trails. The Study Corridors may be found in *Figure 1* below.



Figure 1 – Transportation Study Corridors

- Complete Streets Study**
- Existing Corridor
 - ⋯ Planned Corridor
 - Existing Trail
 - ⋯ Planned Trail

Improving the City's bicycle and pedestrian facilities is another key goal for our East of 101 area. The bicycle facility study identified 5.4 miles of new separated bikeways and trails and adds or improves eight bikeway connections across Highway 101. (Figure 2).



Figure 2 – Bicycle Network

Transit connectivity is key to the success of the modernization of the East of 101 area and emphasized in all of the City’s adopted transportation planning master plans. Caltrain’s new electrified service plan will double service frequency at South San Francisco Station beginning on September 21st, 2024. Prioritizing bus and shuttle connections along key transit routes such as Oyster Point, East Grand, and South Airport will help funnel riders to and from Caltrain. The CFD would create 1.6 miles of transit only lanes, 24 bus stop upgrades, and access improvements at the South San Francisco Caltrain Station and the South San Francisco Ferry Terminal. (Figure 3).

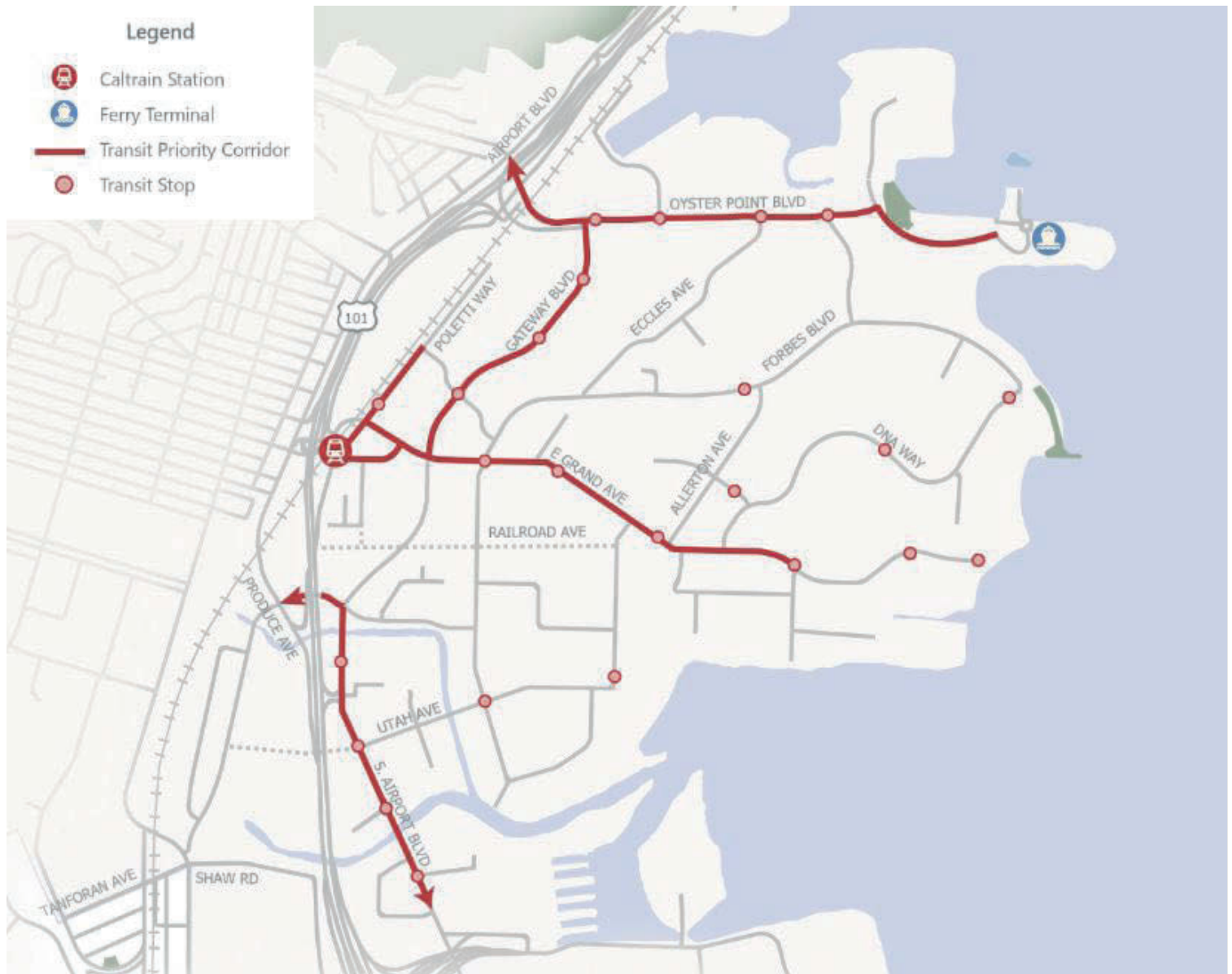


Figure 3 – Transit Priority Corridors

Two high priority corridors, Oyster Point Boulevard and the East Grand Avenue Corridors, were identified by transportation planners and the Oyster Point Mobility Vision Plan as key areas of study. Improvements to these corridors will benefit all modes of travel, including cars, transit, bicycles, and pedestrians.

The CFD will also accelerate roadway rehabilitation efforts in the East of 101 area by repaving all city streets, approximately 17 miles (Figure 4)

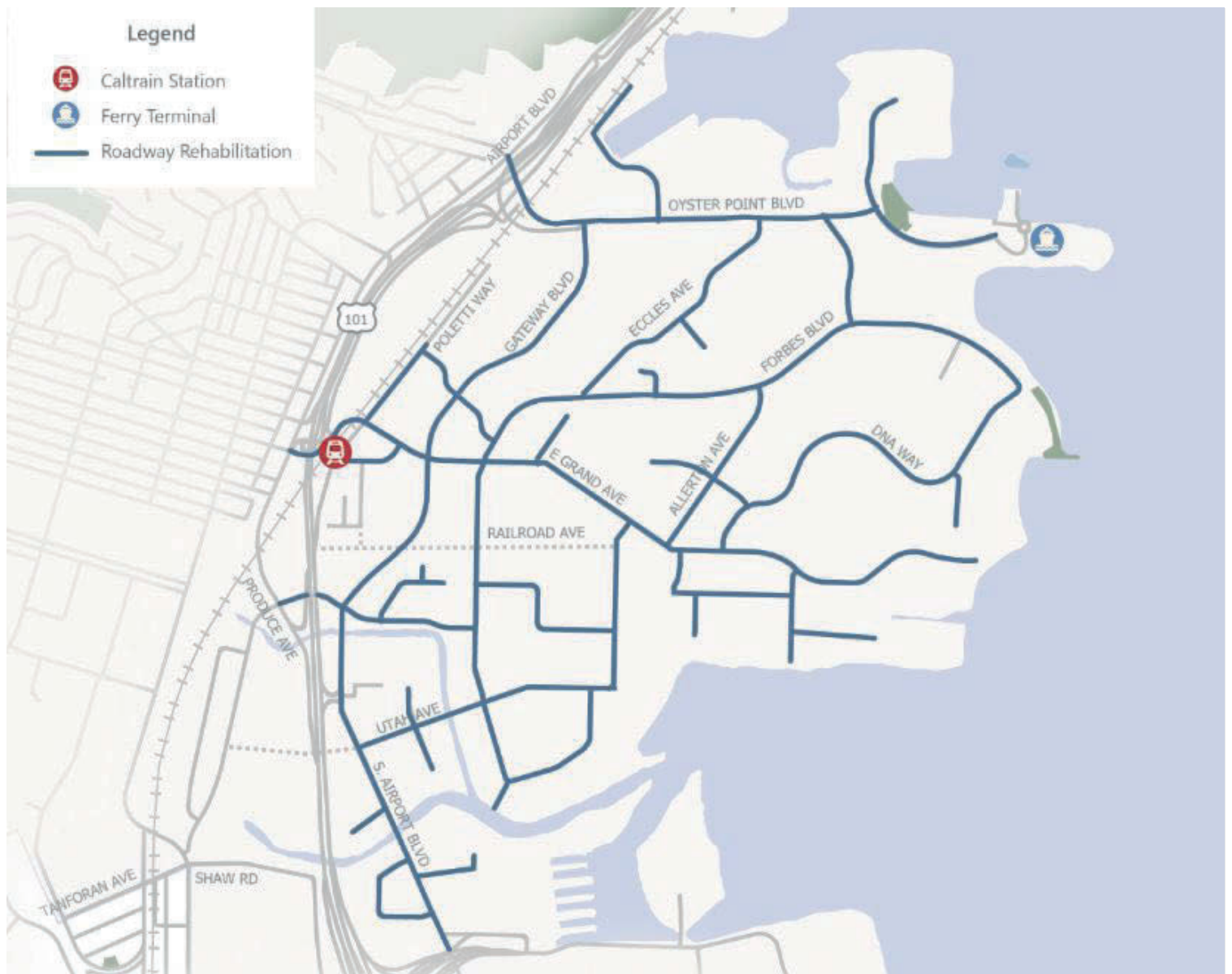


Figure 4 – Roadway Rehabilitation

Pedestrian improvements incorporating wider sidewalks, landscaping, curb extensions, high-visibility crosswalks, median refuge islands, gap closures, traffic calming, and other features create walkable neighborhoods East of 101. Pedestrian improvements would occur throughout the East of 101 Area, especially focusing along key corridors and nodes consistent with the Active South City Plan (Figure 5).

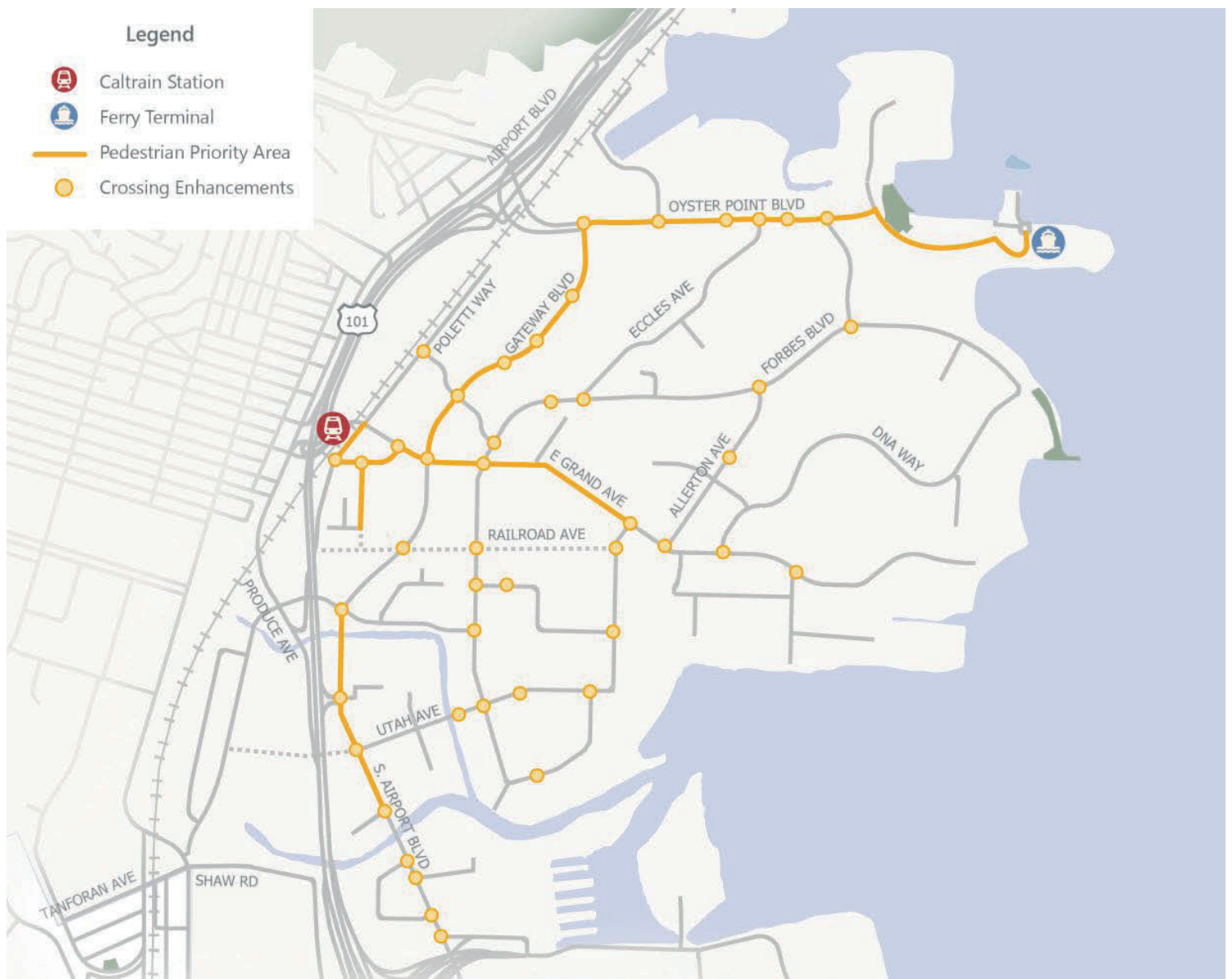


Figure 5- Pedestrian Priority Corridors

Priority Project List

As a result of a comprehensive study of the City’s major transportation corridors East of 101, the most significant and impactful projects were prioritized (Figure 6). These projects are also identified and supported by the City’s master transportation planning documents: General Plan, Active South City, and Mobility 20/20. Many of these projects were also identified as priority projects by the Oyster Point Mobility Steering Committee as well as conversations with local stakeholders. The cost of implementing these projects is estimated to be between \$150-\$180 million.

Priority Tier	Corridor	Total Cost (\$2024)	Total Cost (\$2035)	Project Summary
Tier 1: Top Priority	Roadway Reconstruction & Repaving	\$20,000,000	\$31,000,000	Structural improvements and repaving of all city streets (approximately 17 miles) in the East of 101 area.
	Caltrain Station Area	\$16,850,000	\$27,600,000	Addresses needs identified in the City’s Caltrain Access Study, including improvements to bicycle and pedestrian facilities, the freeway offramp, traffic signals, and the creation of a new shuttle-only ramp.
	Forbes/Harbor	\$13,290,000	\$21,720,000	Closing gaps in trails and the addition of new signals north of East Grand to connect with existing trails along Forbes Blvd. and Eccles Ave. Pedestrian and bicycle improvements continue on Harbor Way between East Grand Ave. and the new Railroad Ave.
	Poletti Way	\$6,550,000	\$10,700,000	Creates a Class I bike and pedestrian path between the Bay Trail and the Caltrain Station and a dedicated bus lane between Corporate Dr. and Grand Ave.
	Oyster Point	\$29,100,000	\$47,650,000	Adds westbound bus lanes, a two-way protected bikeway, and pedestrian improvements. Bike and pedestrian facilities extend as a shared-use path over US-101. Road is widened east of Veterans Blvd.
	Gateway (North of Grand) & Corporate Drive	\$5,700,000	\$9,300,000	Closes gaps in pedestrian connectivity along Gateway Blvd., and improves street signals. Formalizes Corporate Dr. as city street.
	East Grand Avenue	\$20,650,000	\$33,800,000	Adds bus lanes, a protected bikeway, and pedestrian improvements. Road is widened east of Forbes Blvd./Harbor Way.
Tier 2: Secondary Priority	South Airport & Gateway (South of Grand)	\$28,950,000	\$47,300,000	Adds a two-way protected bikeway and new pedestrian improvements to close a gap in the Bay Trail.
	101 Overcrossing & Tanforan/Shaw Connection	\$14,850,000	\$24,280,000	Adds a trail crossing over US-101 that connects the Bay Trail with the South Linden Ave. grade separation.
	Trail Network Gap Closures	\$9,550,000	\$15,650,000	Establishes multi-use trails along the abandoned rail corridor and Colma Creek, primarily south of the Railroad Ave. corridor.
	Utah Avenue	\$10,200,000	\$16,700,000	Implements a road diet and improves intersections to increase vehicular safety, and adds pedestrian improvements and a separated bikeway.
	Produce Avenue/Airport Boulevard (North of Produce)	\$13,800,000	\$22,550,000	Adds a traffic signal for the US-101 offramp and onramp. Creates roadway improvements at the Produce Ave./San Mateo Ave./Airport Blvd. intersection. Creates a new bike and pedestrian trail along Produce Ave., transitioning to separated bikeway on Airport Blvd.
Tier 3: Tertiary Priority	Railroad Avenue	\$22,000,000	\$36,000,000	Creates a new street and bike/pedestrian trail along the existing rail corridor between Sylvester Rd. and Littlefield Ave. Redesigns the intersection at East Grand Ave. and Littlefield Ave. Extends the new trail under US-101.

Figure 6 – Priority Projects

Tier I Projects

Tier I Projects include Roadway Rehabilitation, Oyster Point Boulevard Corridor Improvements, East Grand Avenue Corridor Improvements, Caltrain Station Area Improvements, Forbes Boulevard/Harbor Way Improvements, Poletti Way Improvements, and Gateway Boulevard/Corporate Drive Improvements.

Roadway Rehabilitation:

- Structural improvements and repaving of all city streets (approximately 17 miles) in the East of 101 area.
- Estimated Cost: \$20,000,000 (2024 dollars); \$31,000,000 (2035 dollars)

Caltrain Station Area Improvements

- Addresses needs identified in the City’s Caltrain Access Study, including improvements to bicycle and pedestrian facilities, the freeway offramp, traffic signals, and the creation of a new shuttle-only ramp.
- Estimated Cost: \$16,850,000 (2024 dollars); \$27,600,000 (2035 dollars)



E. Grand/Caltrain Station Improvements Rendering

Forbes Blvd/Harbor Way Improvements

- Closing gaps in trails and the addition of new signals north of East Grand to connect with existing trails along Forbes Blvd. and Eccles Ave. Pedestrian and bicycle improvements continue on Harbor Way between East Grand Ave. and the new Railroad Ave.
- Estimated Cost: \$13,290,000 (2024 dollars); \$21,720,000 (2035 dollars)

Poletti Way Improvements

- Creates a Class I bike and pedestrian path between the Bay Trail and the Caltrain Station and a dedicated bus lane between Corporate Dr. and Grand Ave.
- Estimated Cost: \$6,500,000 (2024 dollars); \$10,700,000 (2035 dollars)



Poletti Way Improvements Rendering

Oyster Point Blvd Corridor Improvements

- Adds westbound bus lanes, a two-way protected bikeway, and pedestrian improvements. Bike and pedestrian facilities extend as a shared-use path over US-101. Road is widened east of Veterans Blvd.
- Estimated Cost: \$29,100,000 (2024 dollars); \$47,650,000 (2035 dollars)



Oyster Point Boulevard Improvements Rendering

Gateway Blvd. (North of Grand) & Corporate Drive Improvements

- Closes gaps in pedestrian connectivity along Gateway Blvd. and improves street signals. Formalizes Corporate Dr. as city street to provide an alternative route to East Grand Avenue.
- Estimated Cost: \$5,700,000 (2024 dollars); \$9,300,000 (2035 dollars)

East Grand Avenue Corridors Improvements

- Adds bus lanes, a protected bikeway, and pedestrian improvements. Road is widened east of Forbes Blvd./Harbor Way.
- Estimated Cost: \$20,650,000 (2024 dollars); \$33,800,000 (2035 dollars)



East Grand Avenue Corridors Improvement Rendering

Tier II Projects

South Airport & Gateway (South of Grand) Improvements

- Adds a two-way protected bikeway and new pedestrian improvements to close a gap in the Bay Trail.
- Estimated Cost: \$28,950,000 (2024 dollars); \$47,300,000 (2035 dollars)

101 Overcrossing and Tanforan/Shaw Connection

- Adds a trail crossing over US-101 that connects the Bay Trail with the South Linden Ave. grade separation.
- Estimated Cost: \$14,850,000 (2024 dollars); \$24,280,000 (2035 dollars)

Trail Gap Closures

- Establishes multi-use trails along the abandoned rail corridor and Colma Creek, primarily south of the Railroad Ave.

corridor.

- Estimated Cost: \$9,550,000 (2024 dollars); \$15,650,000 (2035 dollars)

Utah Avenue Improvements

- Implements a road diet and improves intersections to increase vehicular safety and adds pedestrian improvements and a separated bikeway.
- Estimated Cost: \$10,200,000 (2024 dollars); \$16,700,000 (2035 dollars)



Utah Avenue Improvements Rendering

Produce Avenue/Airport Boulevard (North of Produce)

- Adds a traffic signal for the US-101 offramp and onramp. Creates roadway improvements at the Produce Ave./San Mateo Ave./Airport Blvd. intersection. Creates a new bike and pedestrian trail along Produce Ave., transitioning to separated bikeway on Airport Blvd.
- Estimated Cost: \$13,800,000 (2024 dollars); \$22,550,000 (2035 dollars)

Tertiary Priority

Railroad Avenue Creation

- Creates a new street and bike/pedestrian trail along the existing rail corridor between Sylvester Rd. and Littlefield Ave. Redesigns the intersection at East Grand Ave. and Littlefield Ave. Extends the new trail under US-101. Estimated Cost: \$22,000,000 (2024 dollars); \$36,000,000 (2035 dollars)

DISCUSSION

The City of South San Francisco has seen a variety of industries over its 100-year history. From meatpacking and steel production to biotechnology and pharmaceuticals, the City has adapted to meet the ever-changing needs of business. Still affectionately known as the Industrial City, the City is also now home to over 250 biotechnology and life science companies and is also known as the Birthplace of Biotechnology. The City's ability to adapt has played a key role in its success as an economic driver in the region.

South San Francisco remains committed to fostering healthy business relationships, and upon Council's direction in March, embarked on an extensive outreach listening session to better understand the challenges facing our business community and to engage with businesses to find solutions. Conversations included sharing shared challenges and potential solutions. The potential CFD area is shown as *Figure 7*.

To meet with 332 property owners covering 479 parcels, the City retained the services of Lighthouse Public Affairs, which is well known for their expertise in business and community outreach. Outreach was a multiphase effort spanning from March through August. In March, a mailer was sent to all property owners and the CFD website, ssf-cfd.com, was launched. In mid to late March, Lighthouse, in consultation with staff, also reached out to property owners through emails, calls, and by going door-to-door. In April, the City hosted six community town halls both virtually and in-person during mid-day and evening hours. This was followed by individual follow up conversations to evaluate stakeholder feedback.

A second round of outreach took place in May and June with another round of mailed letters and mass door-to-door outreach to all property owners for whom we'd not yet connected with, the City hosting another six community town halls, dozens of one-on-one follow up meetings, and targeted door knocking. Staff continues to meet with property owners and tenants to answer questions and respond to their concerns.

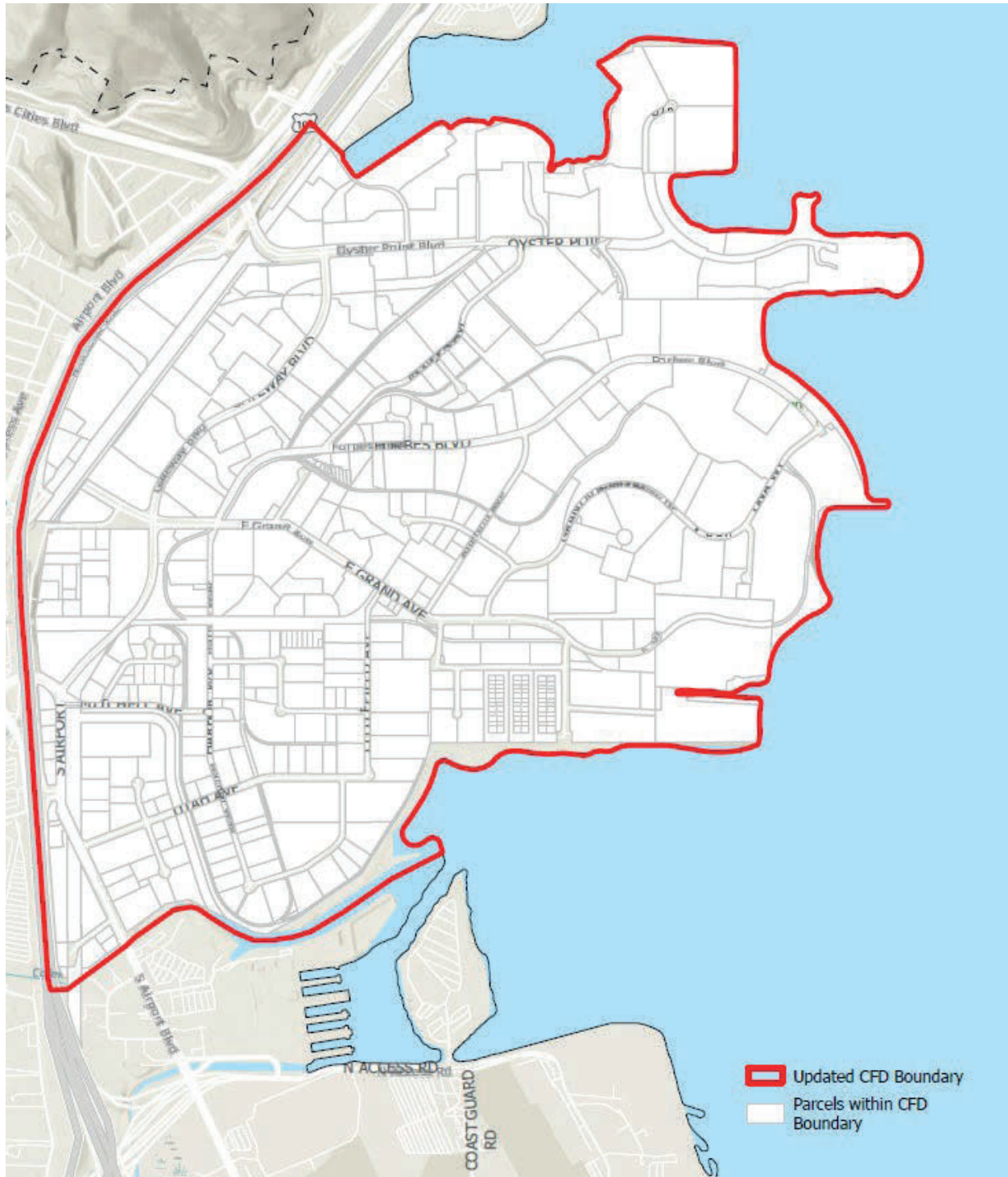


Figure 7 - Potential CFD Boundary Map

Property Owner and Tenant Feedback

The vast majority of property owners agree that traffic is an issue, especially congested along the main corridors of Oyster Point Boulevard and East Grand Avenue. There is also consensus across all industry types of a need for greater road safety and improvements. Pavement maintenance was also singled out as a concern.

Most biotechnology and life science companies agree that there is a need for safer corridors, new pavement, and better connectivity throughout the cluster. Life Science would also like to see all transportation modes prioritized. The return to work may have been slower than anticipated, however, many biotechnology companies are seeing more congestion in the hub, especially mid-week. There also appears to be a desire for connectivity via bike and pedestrian walkways throughout the cluster to allow employees to leave for lunch and walk to nearby restaurants and amenities on other campuses. City staff have also heard from large tenants who indicate that their employees enjoy using alternate modes of transportation to commute to work and utilize public transportation and the Bay Trail.

Warehouse and Industrial uses would also like to see safer corridors and new pavement throughout the East of 101. Many industrial/warehouse property owners indicate that they are facing many financial burdens, especially for smaller property owners and their tenants. Warehouse/Industrial property owners also feel that they are paying too much in taxes. Two property owners indicated that this initiative was designed to push out industrial uses.

Some hotel owner/operators see a value in the CFD and benefits it provides to their guests and extends to their employees. Finding front line employees is very difficult in the hotel industry and improvements to transportation infrastructure can make it easier to hire and retain employees in difficult-to-hire positions. Other hoteliers do not wish to add an additional tax line item onto guests' hotel bills.

In response to the feedback received from industrial property owners, the City tailored the rate for a more equitable assessment such that smaller property owners would pay less than larger industrial property owners. Industrial/warehouse will be broken down by square foot of developed area. Buildings with less than 25,000 square feet would pay an annual rate of \$0.05 per square foot. For the next 25,000 square feet, they would pay an annual rate of \$0.10 per square foot. And for any additional area above 50,000 square feet, the property would be assessed at \$0.15 per square foot annually.

The breakdown of land use type by square footage by land use types are shown in *Figure 8* below.

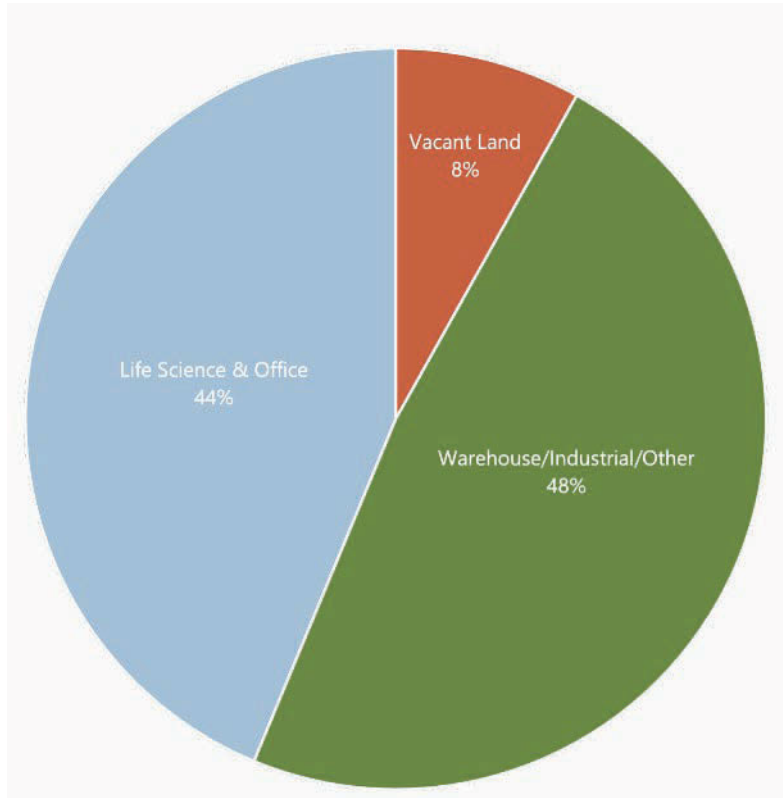


Figure 8 — Breakdown of Warehouse/Industrial Versus Other Land Uses

Financial Model

Based upon the feedback received from the business community, below is the recommended CFD financial assessment by business sector:

Land Use Type	Square Footage	Maximum Annual Tax Rate (per square foot)
Life Science/Office	Any	\$0.65
Residential	Any	\$0.25
Warehouse/Industrial/Hotel/Other Commercial		
	>50,000	\$0.15
	25,001–50,000sf	\$0.10
	≤25,000sf	\$0.05

Assuming this financial model, the CFD could issue 30-year bonds to raise approximately \$118 million, dedicated exclusively to improving transportation and transit which benefits the CFD area. With the escalating revenue stream, and assuming a 6% interest rate. The assessment proposed is for 35 years, providing the predictable revenue stream to support bonding for construction costs.

Assessment of Business Support

The CFD currently maintains 1,159 total voting acres, with 765 voting acres being required to hit the 66% approval threshold. Currently, 32% of the total voting acres are unknown and therefore listed as unknown. Individualized outreach to these voters, as well as any voters who have yet to provide a firm response in support or opposition of the CFD, is ongoing.

Feedback collected through numerous meetings with businesses showed strong support for the City’s efforts to address current and future mobility needs, in general, with more specific comments centering on the cost of the proposal based on type of business.

How to Form a Community Facilities District (CFD)

Pursuant to the Mello-Roos Community Facilities Act of 1982 (“Mello-Roos Act”), a CFD is a defined geographic area in which the City is authorized to levy annual special taxes to be used to either finance directly the costs of specified public improvements and/or public services, or to pay debt service on bonds issued to finance the public improvements, as well as to pay costs of administering the CFD. CFD formation can be initiated either by a local agency or via a written petition from the registered voters or owners within a proposed district.

City staff has engaged the services of Goodwin Consulting Group, Inc. (Goodwin) to perform advisory services relating to all aspects of initiating and forming the CFD. Goodwin has prepared Mello-Roos cash flow analyses as various special tax structures and amounts have been considered and has provided City staff with guidance about alternatives available under the Mello-Roos Act. Additionally, Goodwin will take on the role of Special Tax Consultant and prepare the “Rate and Method of Apportionment of Special Tax” (RMA) as part of the CFD formation process. Goodwin has drafted a term sheet outlining the current deal points, which is attached hereto as Attachment B. Once these deal points are finalized, Goodwin will incorporate the points into the RMA. When the initial participants in the CFD have been confirmed, Goodwin will also prepare the CFD Boundary Map, which will ultimately be recorded with the County Recorder after the first legislative action.

The process of establishing a CFD requires at least four City Council meetings:

Meeting Number One: Adoption of two resolutions: a Resolution of Intention (ROI) setting forth the City’s intention to establish the CFD, designating the name of the CFD, identifying the services and facilities to be funded by the CFD, stating the City’s intention to levy a special tax annually on property within the CFD to pay for these services and facilities, and approving the Rate and Method of Apportionment of Special Tax (RMA) for the CFD, which details how the special tax will be levied on properties within the CFD and sets the maximum special tax rates that can be levied within the CFD. The ROI also sets the date for the required public hearing (30 to 60 days later) on the matters set forth in the ROI. The second resolution, a Resolution of Intention to Incur Indebtedness, sets forth the Council’s intention to issue bonds supported by the special taxes. This resolution also sets a public hearing for the same date.

Meeting Number Two: Hold the noticed public hearings at a City Council meeting. Following the public hearings, the City Council is presented with two resolutions: a resolution forming the CFD, and a resolution calling the special tax election (90 to 180 days later) by the landowner voters within the CFD.

Between meeting number two and meeting number three, ballots will be distributed to owners of property within the CFD. The materials distributed will include information about the proposed uses of the special tax revenue, the proposed tax rates, the requirements for approval of the CFD, and the method and deadline for returning ballots.

Meeting Number Three: Opening and counting of ballots. If the CFD gains the required number of votes for passage, the City Council will adopt a Resolution Confirming Results of Special Election and introduce an ordinance ordering the levy of special taxes within the CFD.

Meeting Number Four: Hold a second reading to adopt the special tax ordinance ordering the levy of special taxes within the CFD. After formation of the CFD, a special tax is levied annually on taxable properties that are located within the boundaries of the CFD.

FISCAL IMPACT

The formation and administration of the CFD will be paid through revenues generated by the CFD and therefore, have no direct fiscal impact on the City’s General Fund.

RELATIONSHIP TO THE STRATEGIC PLAN

The creation of an Eastern Neighborhoods Community Facilities District meets the city’s strategic goals of

promoting and preserving the economic vitality of the City.

CONCLUSION

Traffic remains a top threat to the viability of the business environment in South San Francisco. Economic growth is here, and will continue, bringing with it opportunities and benefits, but also increased transportation challenges. The Eastern Neighborhoods CFD is the City and the business community's opportunity to come together with a thoughtful, comprehensive solution to ensure that businesses continue to prosper for decades to come.

Staff seeks Council feedback and direction concerning possible formation of Eastern Neighborhoods Community Facilities District (CFD), and if appropriate, scheduling of associated City Council meetings to move forward with formation.

ATTACHMENTS

1. Engineering Diagrams for Priority Project List
2. Draft Term Sheet for RMA
3. CFD Presentation