

MEMORANDUM

DATE: September 17, 2020
TO: Eastern Neighborhoods CAC
FROM: Mat Snyder, Senior Planner
SUBJECT: Eastern Neighborhoods IPIC Expenditure Plan (EP)

At the last EN CAC meeting, I presented the initial version of the Eastern Neighborhoods IPIC Expenditure Plan (EP) for FY22 through FY26. The initial version showed a dramatic slowdown in revenue relative to previous year's expenditure plans. (The previous expenditure plan showed expected revenues through FY26 as being approximately \$126M whereas the current EP shows expected revenue at \$108M). On the expenditure side, I reported that due to the slowdown in revenue, previous planned (both appropriated and programmed) would need to be deferred and would be looking to the CAC for input on how to prioritize the distribution of funds to awaiting projects.

You requested additional information regarding the updated EP: (1) a clearer accounting of the reduced revenue; and (2) feedback from the respective agencies as to which projects they believe needed to be deferred due to the slowdown in revenue.

Accounting of Loss Reduction

There are two main components of the reduction of revenue: (1) at least large projects that are no longer moving forward; and (2) staff's decision to assume a 20% reduction of revenue between FY21 and FY26; staff has decided to take this more conservative approach to the projections given unknowns in the economy at this time.

The three large projects for which we are no expecting revenue include (1) 1979 Mission Street (aka the Monster in the Mission); 1200 17th Street / 901 16th Street, and 888 Tennessee Street. Staff estimates that these three projects would have paid approximately \$14M in EN fees. The 20% reduction described above accounts for roughly an additional \$12M; together accounting for \$26M in previously expected revenue. While this accounting does not appear to work -- the difference between last year's revenue projections (\$126M) and the new projections (\$108M) is \$18M, not the \$26M identified above as lost revenue -- it is important to keep in mind that every year between doing the projections, fees are escalated by about 5% and new development project applications are added to the revenue stream. That is to say, revenue is increasing in some aspects while be reduced in others. Staff believes this is why revenue has not decreased as much as one might expect given the loss of the three major projects and 20% reduction.

Expenditure Prioritization

Planning staff has consulted with the agencies as to which projects are priorities and which can be deferred. Amongst all the consulted agencies, there was a consensus of how to approach prioritization: projects that are under construction, soon to be under construction, or otherwise awaiting cash to meet certain obligations such as matching funds, should be prioritized first. Conversely, funds that are left in more general-purpose line items and for which projects have not yet been identified, should be prioritized last, with other named projects falling somewhere in the middle.

In the transit category, there are only two line items proposed for funding in the next five years: 16th Street, which have gotten most of the transportation funding thus far, and the general purpose line item "Transit Enhancement Fund"; these two line items account for a relatively small remaining amount of \$1.23M.

In the Complete Streets category, the only line item planned to receive funds in the next five years is "Central Waterfront / Dogpatch, Showplace/Potrero Streetscape Projects" for which Public Works has received \$2.3M is owed \$3.7M, and is programmed to receive an additional \$3.3M over the next five years. Public Works has indicated they have sufficient funds to continue work on the initial streetscape project in Central Waterfront and have not indicated a strong need for additional funds at this time.

In the Recreation and Open Space category, Planning has heard from Rec and Park and Public Works for needed funds for two projects: (1) the Loop (Public Works has indicated a need of \$700K to meet a funding match early next year); and (2) Juri Commons, which is currently under construction.

On top of the funds needed for Juri Commons, Rec and Park indicated a strong desire to receive the \$1M of funds owed to them for Jackson Park as soon as possible. While still important, Rec and Park indicated funds owed for Mission Recreation Center could be de-prioritized. Similarly, general-purpose line items, "Central Waterfront Open Space" and "Bond Planning" could also be de-prioritized.

Planning and IPIC members look forward to hearing the CAC's thoughts regarding the current funding situation and your thoughts on how to prioritize these projects.