

Mission Rock Special Tax District No. 2020-1 2023 Special Tax Bonds

Budget & Finance Committee Presentation

October 25, 2023



Items for Consideration

- Resolution Authorizing the Issuance of Special Tax Bonds for City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) in the aggregate principal amount not to exceed \$58,335,000
- Resolution Approving Certain Documents Related to a Pledge Agreement by City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) and Development Special Tax Bonds for City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)

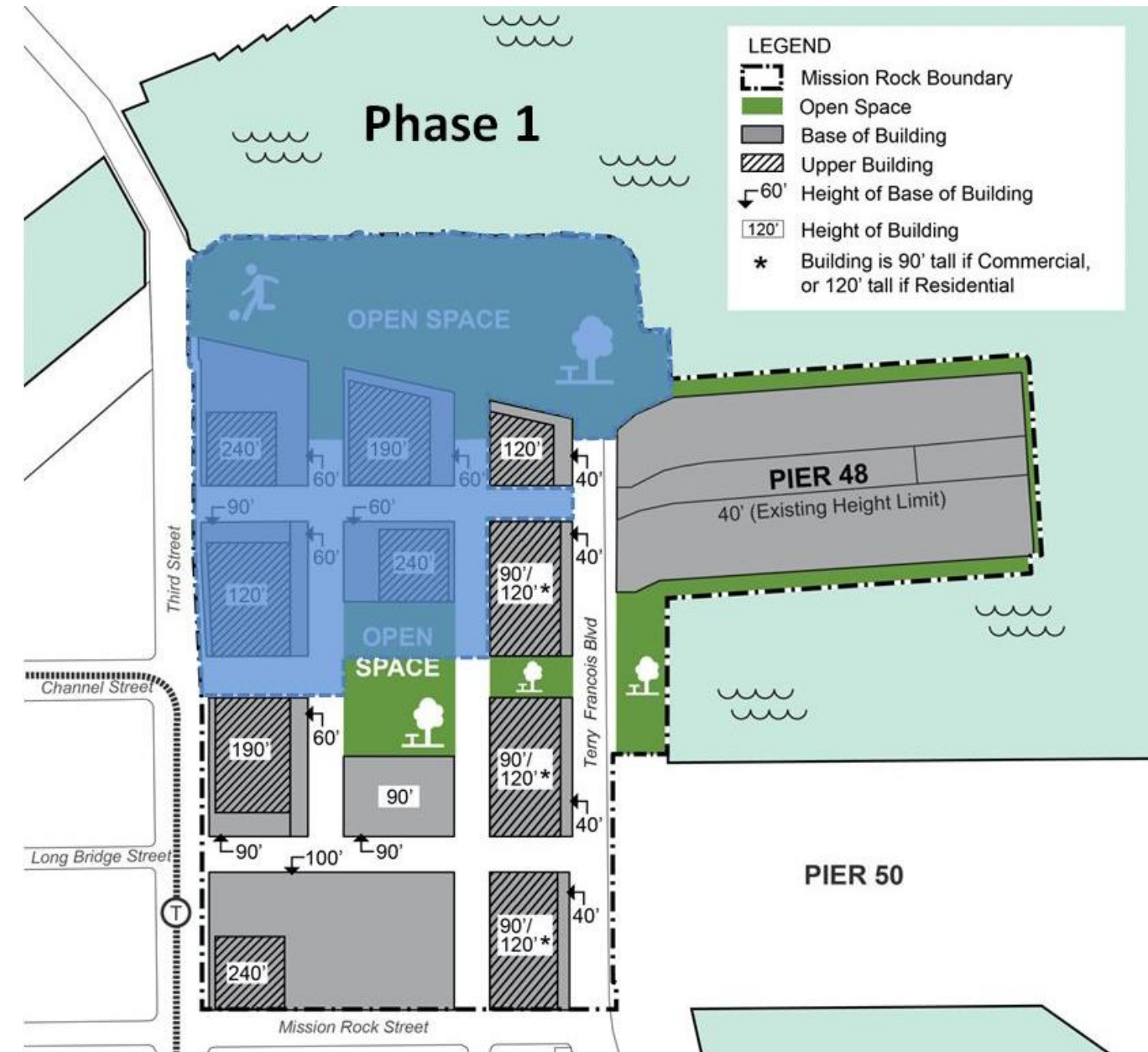
Agenda

- Phase 1 Background and Update
- Project Financial Structure
- Mission Rock Special Tax District
- 2023 Bonds
- Next Steps



Mission Rock Planned Phase 1

- Housing
 - Two buildings 537 rental units total
 - 199 affordable
- Commercial Office
 - Two fully office buildings
 - ~550,000 gross square feet across all buildings
- Ground Floor Retail
 - ~65,000 square feet
- China Basin Park
 - ~5 Acre Waterfront Park



Phase 1 Update

Parcel A

- 283 apartments, including 102 Affordable
- District Energy System
- First residents moved in in June 2023
- Currently leasing both market-rate and Affordable

Parcel B

- 274k sq. ft. office/life science
- Blackwater Recycling Plant
- Ground Floor Retail including Ike's Love & Sandwiches, Blades Co. Barbershop, and LuxFit Gym
- Leasing in progress

Parcel F

- 254 apartments, including 97 affordable
- Ground Floor Retail will include Ariscault Baker
- Estimate first residents move in in Summer 2024

Parcel G

- Future Visa Global Headquarters
- Anticipated occupancy early 2024

China Basin Park

- 4.4-acre waterfront park
- Estimated completion in early 2024



Parcel A



Parcel B



Parcel G

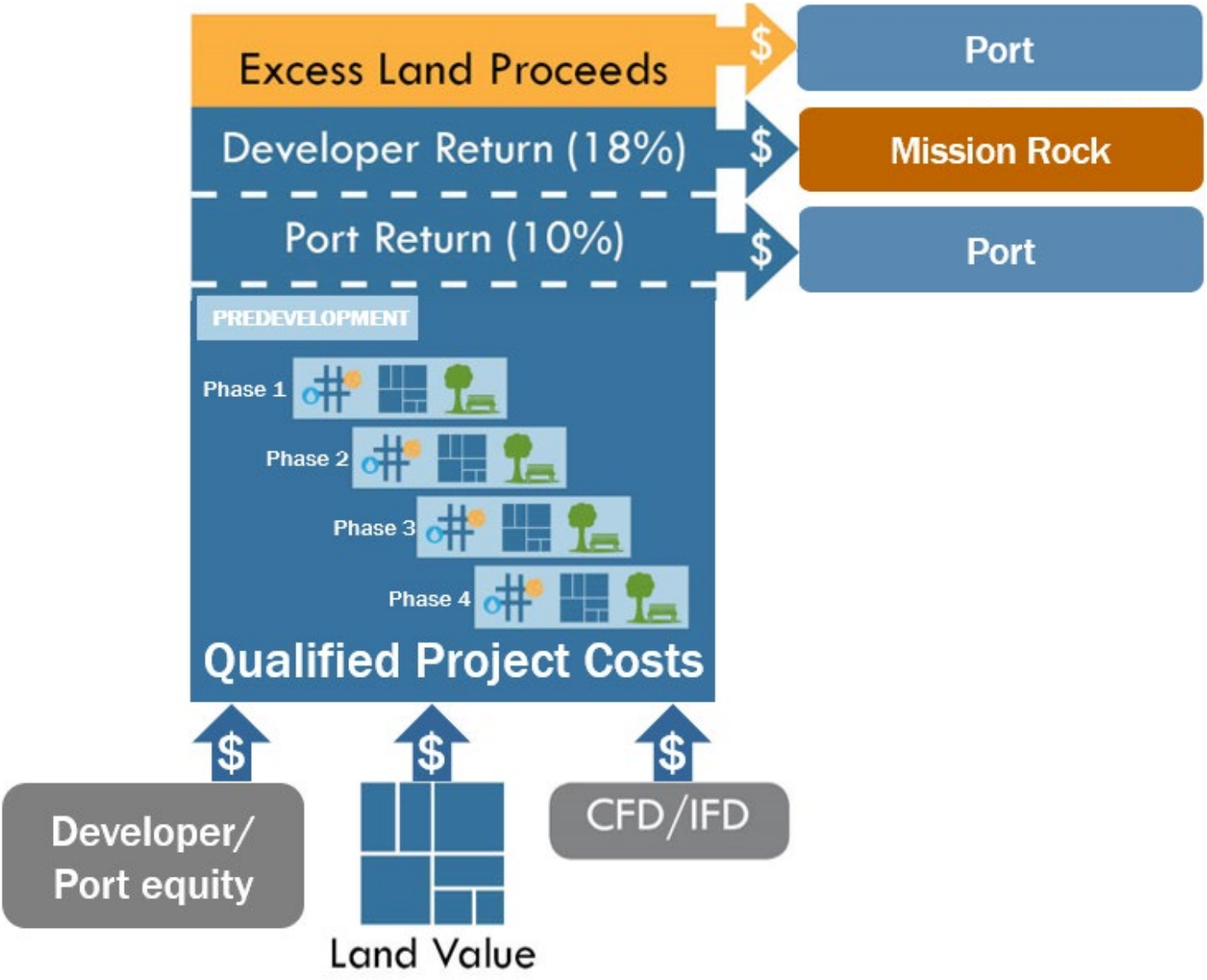


Parcel F



China Basin Park

Project Financial Structure



Strategies to limit Developer Capital and Return:

- Use CFD/IFD sources when possible
- Maximize public financing
- Use tax-exempt debt
- Use Port Capital

Mission Rock Special Tax District

The Mission Rock CFD was formed in April 2020 and levies four distinct Special Taxes:

- 1. Development Special Tax** – funds horizontal infrastructure on the site; 45-year life
 - Offset by tax increment from IFD No. 2 (Project Areas I-1 to I-13)
 - Series 2021A (\$43.3M) and 2021B (\$54.28M) & 2021C (\$10M) secured by Development Special Taxes
- 2. Office Special Tax** – funds horizontal infrastructure on the site; 120-year life
- 3. Shoreline Special Tax** – a source for ongoing shoreline protection studies and facilities; Shoreline Taxes from Phase I fund horizontal infrastructure on the site; 120-year life
- 4. Contingent Services Special Tax** – funds ongoing maintenance and services of the area if the Master Association does not provide these services
 - Not currently levied

Considerations for a Third Bond Issuance

Amount of bonds issued constrained by prudent debt management practices:

1. Appraised or assessed value of the CFD (value-to-lien constraint). The City is required to maintain a minimum aggregate 3:1 value-to-lien (VTL) ratio when issuing additional debt

- Appraised value (9/15/25 effective date): \$698.88M
- Net of outstanding principal (~\$106M), the CFD could issue an additional ~\$127M (inclusive of the 2023 Bonds) and maintain a 3:1 VTL

2. Tax Revenues (*financial constraint*). Ongoing tax capacity less administrative expenses must be 110% of the debt service requirement on any CFD special tax bonds

- Property becoming Developed Property (per the RMA) has increased available taxes beginning FY2023-24
- Recommend issuing up to \$58.335M bonds with separate series secured by Development Special Tax (with a pledge of tax increment), Office Special Tax, and Shoreline (Zone 1) Special Taxes, respectively

2023 Bonds – Estimated Financing Terms

- Proceeds expected to reimburse horizontal infrastructure expenses and developer return
- Estimated Financing Terms
 - Estimated Final maturity:
 - 9/1/2050 Development Special Tax Bonds
 - 9/1/2053 Office and Shorelines Special Tax Bonds
 - Estimated True Interest Cost: 5.86%
 - Estimated Bond Proceeds: \$39.5M
 - Estimated Financing Costs: \$1.7M
 - Estimated Total Debt Service: \$101.8M

Source: Stifel; Market conditions as of September 5, 2023

Sources	Development Tax	Office Tax	Shoreline (Tax Zone 1) Tax	Total
Bond Proceeds				
Par Amount	\$9,120,000	\$19,520,000	\$18,405,000	\$47,045,000
OID	(262,844)	(643,700)	(607,165)	(1,513,709)
Total Sources	8,857,156	18,876,300	17,797,836	45,531,291
Uses				
Project Fund	7,656,763	16,370,586	15,435,022	39,462,371
Debt Service Reserve Fund	869,736	1,797,992	1,695,517	4,363,246
<i>Delivery Date Expenses:</i>				
Cost of Issuance	193,857	414,922	391,221	1,000,000
Underwriter's Discount	136,800	292,800	276,075	705,675
Total Uses	\$8,857,156	\$18,876,300	\$17,797,836	\$45,531,291

2023 Bonds – Risk Factors

- The proposed Bonds will be sold without a rating (non-rated)
- Certain Risk factors for the Bonds are discussed on pg. 99-120 of the Preliminary Official Statement (POS)
- Unique real estate risks associated with these non-rated land secured bonds are discussed on pg. 99-103 of POS, certain factors are highlighted below:
 - Adverse changes in local market conditions which may impact future development and special tax payments
 - Concentration of ownership of leasehold interests
 - Failure to develop properties
 - Public infrastructure construction delays
- Other significant risk factors include: COVID-19, seismic risks, and sea level rise

2023 Bonds – Security

- The Bonds are limited obligations of the City, secured by and payable solely from a pledge of the special taxes levied in in the Mission Rock CFD and tax increment generated in IFD Project Area I for the Development Special Tax Bonds
- The General Fund of the City and Port Harbor Fund are not liable for the payment of principal or interest on the Bonds, and the credit of the City and the Port are not pledged to the payment of the Bonds
- The City, on behalf of the CFD, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances the City will commence judicial foreclosure proceedings with respect to delinquent special taxes on property within the CFD

2023 Bonds – Preliminary Official Statement

- Board members are deemed to have a 'gatekeeping' responsibilities under federal securities laws and cannot approve a preliminary official statement POS if they are aware that it contains material misstatements or material omissions.
- Board members should review relevant portions of the POS to ensure that staff is aware of information that board members may have unique in their capacity as board members that would have a material bearing of the capacity of the CFD to repay the bonds.
- The POS describes:
 - Terms of the Bonds
 - Sources of repayment and security of the Bonds
 - Information about the CFD, its operations, and its financial ability to make timely payment of principal and interest on the Bonds
 - Risk factors related to investment of the Bonds
- Prior to the distribution of the POS (and final Official statement with pricing information), the POS will have been thoroughly and critically reviewed by Port and City staff, in consultation with City Attorney, Disclosure Counsel and members of the financing team, to ensure that the City fulfills its legal disclosure obligations to prospective investors.

Next Steps

Item	Date
Port Commission Approval of Bond Resolution	September 12, 2023
Introduction of Resolutions to Board of Supervisors	October 3, 2023
Port Commission Approval of Phase 1 Budget Amendment	October 10, 2023
Capital Planning Committee	October 16, 2023
Budget & Finance Committee Consideration of Resolutions	October 25, 2023
Board Consideration of Resolutions	October 31, 2023
Sale and Closing of Bonds	November/December 2023

Thank you.
Questions?