

An aerial photograph of the Mission Rock development in San Francisco. The image shows several modern high-rise buildings with glass and brick facades, situated along the waterfront. In the background, there are older industrial buildings and a large shipyard. The foreground features a landscaped area with trees, a walkway, and a small body of water. The text "Mission Rock Community Facilities District CFD Public Financing, Second Issuance" is overlaid in the center of the image.

# Mission Rock Community Facilities District CFD Public Financing, Second Issuance

April 19, 2021

Item TK





# Overview

- Phase 1 Overview
- Financing Structure
- Proposed Bond Issuance
- Next Steps

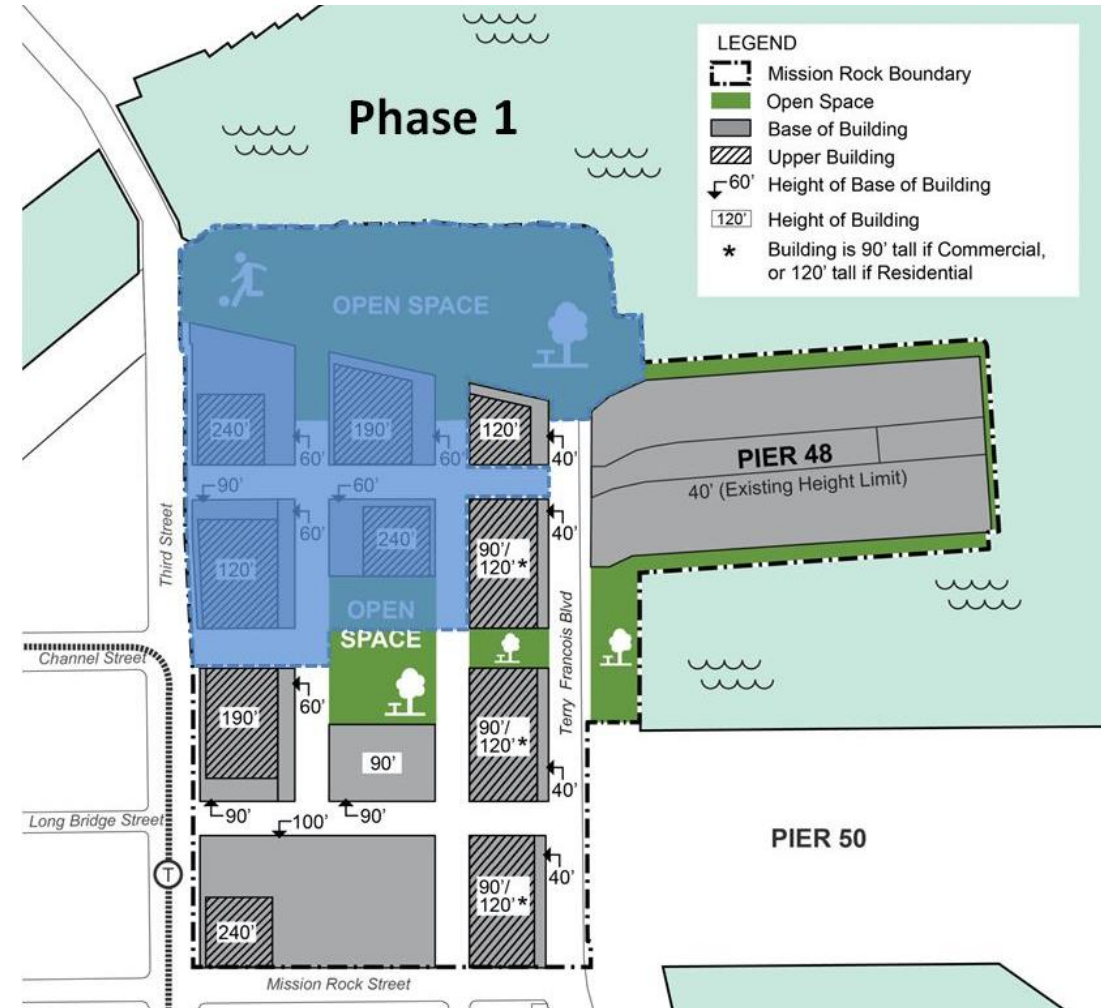


# Mission Rock Phase 1

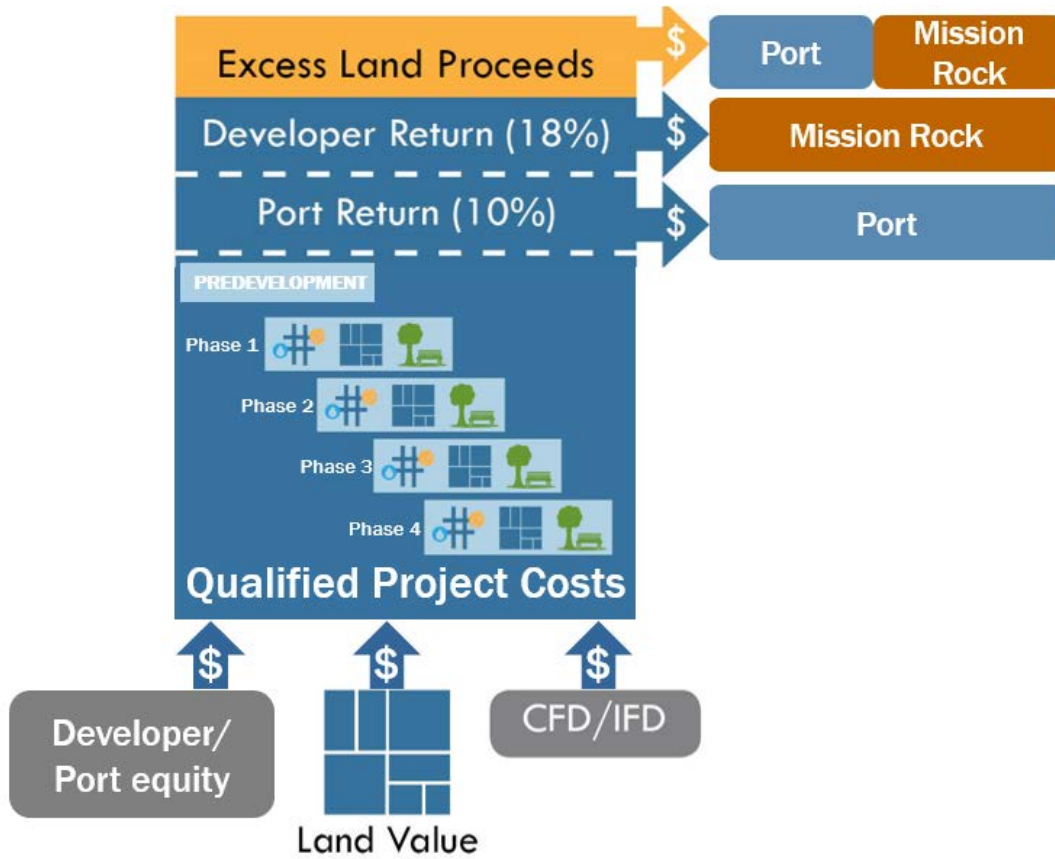
- Housing (2 buildings)
  - 537 units total, 199 affordable
- Commercial Office (2 buildings)
  - 550,000 gross square feet
- Ground Floor Retail
  - 65,000 square feet
- China Basin Park (5.5 Acres)

## Latest Updates:

- Horizontal: Phase 1 ~25% complete
- Vertical: Parcels A and G under construction



# Project Funding Structure



## Strategies to limit Developer Capital and Return:

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

# Overview of Phase 1 Sources and Uses

| Description                     | Entitlement | Phase 1      | Total Phase        |
|---------------------------------|-------------|--------------|--------------------|
| Total Horizontal Costs          | 29.3        | 145.4        | <b>174.8</b>       |
| Developer Return                | <u>16.9</u> | <u>73.8</u>  | <u><b>90.7</b></u> |
| <b>Total Phase 1 Uses</b>       | <b>46.2</b> | <b>219.3</b> | <b>265.5</b>       |
| Net Development Rights Payments | 42.2        | -            | <b>42.2</b>        |
| CFD Bonds - Unimproved Land     | 4.0         | 31.2         | <b>35.2</b>        |
| CFD Bonds - Completed Buildings | -           | 140.8        | <b>140.8</b>       |
| Excess Pay Go Tax Increment     | <u>-</u>    | <u>47.2</u>  | <u><b>47.2</b></u> |
| <b>Total Phase 1 Sources</b>    | <b>46.2</b> | <b>219.3</b> | <b>265.5</b>       |



# CFD Taxes and Uses

## Development Tax

- Funds infrastructure and parks
- 40 years bonding authority

## Office Tax

- Funds infrastructure and parks
- More flexible than development tax
- Exists for 120 years

## Shoreline Tax

- Funds shoreline protection studies and facilities
- Exists for 120 years

## Services Tax

- Funds ongoing operations and maintenance for site
- Exists in perpetuity



# Bond Issuance

- Amount of bonds sold limited by two factors:
  1. Appraised value of the CFD
    - The City has a policy of only issuing CFD debt with a 3:1 value-to-lien ratio
    - Prior appraisal valuation of \$130 million, resulting in \$43.3 million in bonds
  2. Ongoing Tax Revenues
    - Requires 110% debt service coverage
    - Expect far in excess of this in ongoing revenues from Phase I
    - Additional taxes will fund future bond issuances

# Opportunity for a Second Issuance

- Since date of prior appraisal (October 2020) there have been significant investments in both horizontal and vertical improvements at the site, increasing the appraised value of the land securing the CFD
- Final appraisal has a valuation of \$324.9 million, which results in a maximum of \$108.2 million in land-based Phase 1 bonds.
  - Presents opportunity for a second issuance of up to ~\$64.9 Million
- An additional \$64.9 million in special tax bond proceeds would have significant benefits to the project's economics
  - Note however, that delays in permitting and first bond issuance have had significant detrimental impacts to Phase 1



# Bond Sources and Uses

- Sale of bonds in amount of \$64.9M results in potential total sources of \$64.8M with premium
- Sources and uses shown in table to right; proceeds used to repay eligible Phase I Infrastructure Improvements

| Sources              | Amount               |
|----------------------|----------------------|
| Bond Proceeds        |                      |
| Par Amount           | \$ 64,900,000        |
| Premium              | \$ (70,986)          |
| <b>Total Sources</b> | <b>\$ 64,829,013</b> |

| Uses                      | Amount               |
|---------------------------|----------------------|
| Improvement Fund          | \$ 58,348,064        |
| Debt Service Reserve Fund | \$ 5,005,948         |
| Delivery Date Expenses:   |                      |
| Cost of Issuance          | \$826,000            |
| Underwriter's Discount    | \$649,000            |
| <b>Total Uses</b>         | <b>\$ 64,829,013</b> |

# Action and Next Steps

Request positive recommendation of:

- Resolution Supplementing Resolution No. 196-20 authorizing the issuance and sale of one or more series of Development 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 \$64,900,000; approving related documents
- Resolution approving certain documents and actions related to a pledge agreement by City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) and special tax bonds for City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)

| Item  | Date*          |
|---|----------------|
| Introduction of Legislation to Board of Supervisors | April 13, 2021 |
| Capital Planning Committee Presentation             | April 19 2021  |
| Budget & Finance Committee Hearing                  | May 5, 2021    |
| Board Approval of Legislation                       | May 11, 2021   |
| Sale and Closing of Bonds                           | Summer 2021    |