

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

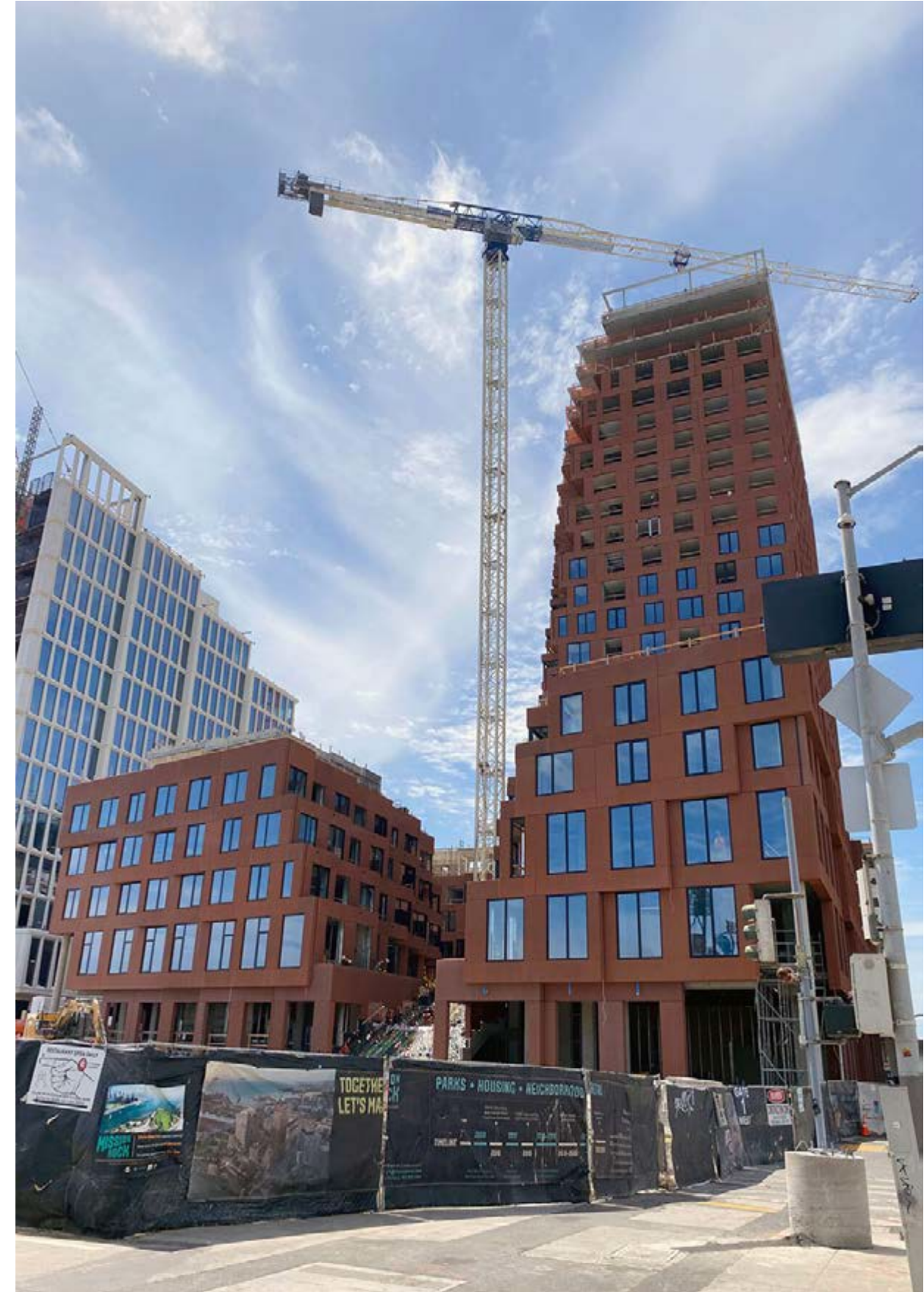
Capital Planning Committee Presentation

October 16, 2023



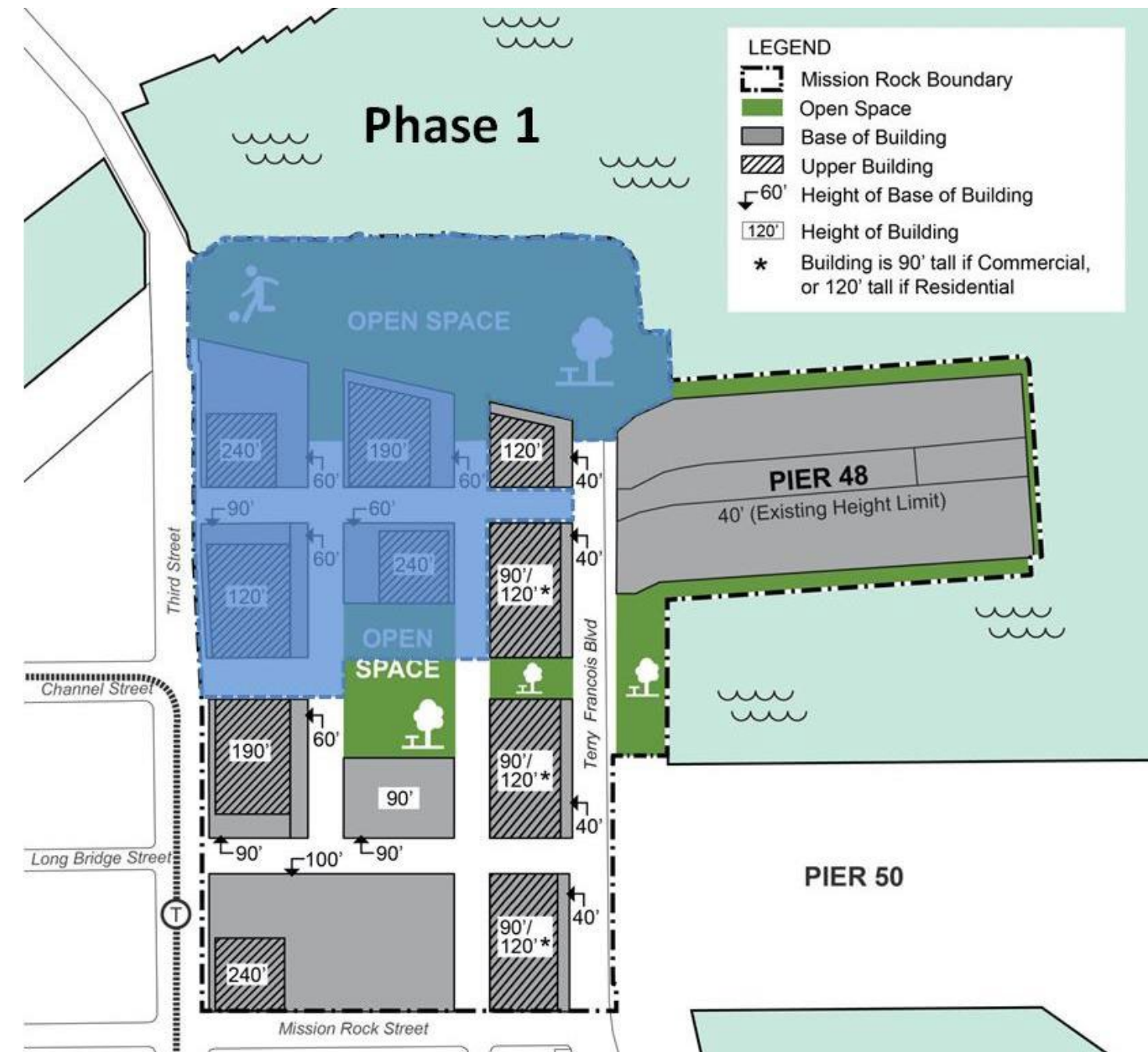
Agenda

- Phase 1 Background and Update
- Project Financial Structure
- Mission Rock Special Tax District
- Third Bond Issuance
- Plan of Finance – 2023 Bonds
- 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 Acres)



Mission Rock: Development Milestones

2019

- Port Commission Approval of Phase 1 (Phase Submittal and Phase Budget)
- Phase 1 Street Improvement Permit (SIP) Initial Submittal

2020

- Horizontal Site Preparation and Ground Improvements Commence
- Phase 1 Final Map Approved
- LCC Approved
- Secured Bond Financing for District Utilities
- SIP issued
- Phase 1 Vertical Parcel Leases signed
- Port issues Notice to Proceed and SIP Work Commences
- Vertical Construction Commences on Parcels G and A

2021

- Horizontal Work Continues to Progress
- Vertical Construction Commences on Parcel B
- Approval of new streets names for Dr. Maya Angelou Way and Toni Stone Crossing
- Initial Bonds Issuance resulting in proceeds of nearly \$44M to Project

Mission Rock: Development Milestones

2021

- August 9, 2021: Phase 1 Revised Budget Approval
- Commenced Construction of China Basin Park
- Initial Bonds Issuance Resulting in Proceeds of nearly \$56M to Project

2022

- Commenced Parcel F Construction
- Submitted Phase 2 Basis of Design ("BOD") to City Agencies
- Submitted Phase 2 Application and Garage Report

2023

- Received TCO's for Buildings A (residential), B (commercial) and G (Visa Global HW)
- Completion of District Energy and Blackwater Recycling Plants
- Occupancy of Building A (283 Residential Units, including 102 BMR Units)
- Approval of Recycled Water Services Agreement

Phase 1: Parcel G (TCO January 2023)



- 13 Stories
- 300,000 Square Foot Commercial Office Building
- Leased in its entirety to Visa as its new Global Headquarters
- Tenant Improvements Under Construction
- Ground Floor Retail fronting on China Basin Park and Dr. Maya Angelou Way Paseo including Proper Food
- Occupancy in Early 2024

Phase 1: Parcel A (TCO May 2023)



- 24 Story, 370,000 Square Foot Residential Building
- 283 Apartment Units
 - 181 Market Rate Units
 - 102 Affordable Units
- Welcomed first residents in June 2023
- Includes 49,000 Square Feet of Office Space and Ground Floor Retail
- Includes Neighborhood Serving District Energy System Infrastructure



Phase 1: Parcel B (TCO June 2023)



- 8 Stories
- 274,000 Square Foot Commercial/Life Science Building
- Ground Floor Retail including:
 - Ike's Love & Sandwiches
 - Blades Co. Barbershop
 - LuxFit Gym
- Includes Neighborhood Serving Blackwater Recycling Infrastructure
- Leasing in Progress

Phase 1: Parcel F (TCO est. June 2024)



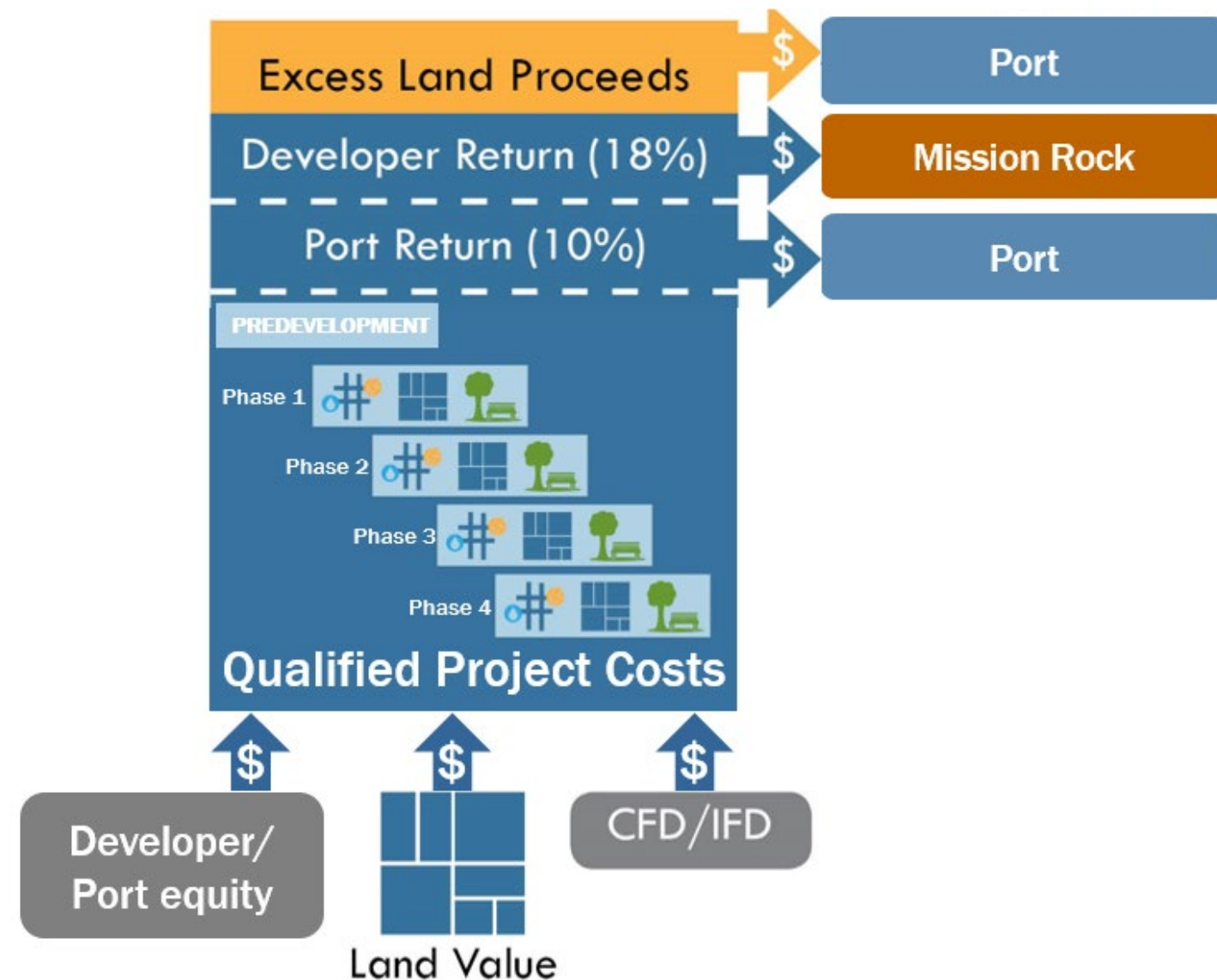
- 23 Story, 310,000 Square Foot Residential Building
- Includes 25,000 Square Feet of Office Space and Ground Floor Retail
- Ground Floor Retail will include Ariscault Bakery
- 254 Residential Apartment Units
 - 157 Market Rate Units
 - 97 Affordable Units
- Building Topped Out in 2023
- Currently Under Construction

Phase 1: China Basin Park (est. completion early 2024)



- 5 Acre Public Open Space
 - Inland Portion
 - Great Lawn for Passive Recreation and Special Events
 - Public Restrooms
 - Dog Play Area
- Currently Under Construction
- Waterside Improvements in Subsequent Project Phase
- Lease to manage Park currently being negotiated

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 sold limited by two factors:

1. Appraised or assessed value of the CFD. The City has a policy of issuing CFD debt with a minimum aggregate 3:1 value-to-lien (VTL) ratio

- Appraised value (9/15/25 effective date): \$698,880,000
- Net of outstanding principal (\$106,230,000), the CFD could issue an additional ~\$127,000,000 and maintain a 3:1 VTL

2. Tax Revenues (*limiting 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 \$58,335,000 bonds with separate series secured by Development Special Tax (with a pledge of tax increment), Office Special Tax, and Shoreline (Zone 1) Special Tax

Plan of Finance– 2023 Bonds

- Proceeds expected to reimburse horizontal infrastructure expenses and developer return
- The 2023 Bonds will be sold without a rating (“Non-Rated”)
- Estimated Financing Terms
 - 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

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

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

Next Steps

Request positive recommendation of:

- **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)**

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

Thank you.

Questions?