MEMORANDUM

October 23, 2020

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. John Burton
Hon. Gail Gilman
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director

SUBJECT: Request approval of a Resolution recommending that the Board of Supervisors approve the Mission Rock Community Facilities District financing, including the issuance of bonds in an aggregate principal amount not to exceed $50,100,000(“Bonds”), and the execution and delivery of financing documents, including the: 1) the form of Bond Purchase Agreement, 2) the form of Fiscal Agent Agreement, 3) the form of Pledge Agreement, 4) the form of Continuing Disclosure Certificate, 5) the form of Preliminary Official Statement, and authorizing and directing the Executive Director to cause the package to be submitted to the Board of Supervisors and to work with the Director of the Office of Public Finance to finalize and cause the distribution of the Preliminary Official Statement and the issuance of the Bonds.

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution No. 20-48

EXECUTIVE SUMMARY

The Mission Rock Project at Seawall Lot 337 and Pier 48 is a mixed-use development project that will create up to 1,200 units of housing, 1.4 million square feet of new office space, and a new waterfront park across from Oracle Park (“Project” or “Mission Rock Project”). The Port owns the land in the Project and leases it for development.
After more than a decade of planning, the Project is preparing to break ground on horizontal infrastructure construction and vertical development in the coming months.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

Proceeds from the issuance of bonds issued by the City and paid with revenues from financing districts formed within Seawall Lot ("SWL") 337 will fund the horizontal infrastructure improvements. In 2018, the City formed Project Area I of Infrastructure Financing District No. 2 (Port of San Francisco) at SWL 337 (which is referred to in this Memorandum as "IFD Project Area I"), and in 2020, the City formed Special Tax District No. 2020-1 (Mission Rock Facilities and Services), which is referred to in this Memorandum as the Mission Rock CFD. It is intended that the proposed financing ("Bonds") will utilize both funding sources, with the City issuing the Bonds on behalf of the Mission Rock CFD, which are primarily secured by special taxes levied in the Mission Rock CFD. To the extent sufficient tax increment is generated in IFD Project Area I, it will be used as an offset against the primary pledge of special taxes (tax increment will become available to service debt when the assessed value of the Project increases in an amount sufficient to generate $100K of tax increment in a Sub-Project Area as a result of completed development).

The Mission Rock CFD will finance certain improvements through the levy of special taxes on the leasehold interests in the Project, while the IFD Project Area will finance improvements through the growth of tax increment in the assessed value of such leasehold interests.

STRATEGIC PLAN

This item and the Mission Rock Project as a whole support the efforts of the Port's Strategic Plan to enhance and balance the Port's maritime and economic purpose, rich history, and changing relationship with the City so the waterfront continues to be a treasured destination.

PROJECT BACKGROUND

On January 30, 2018, the Port Commission approved a mixed-use development project known as Mission Rock at Seawall Lot 337 and Pier 48 ("Project" or "Mission Rock Project"). Subsequently, on February 13, 2018, the San Francisco Board of Supervisors ("Board") approved the Project and on August 15, 2018 the Port and Seawall Lot 337 Associates signed all Project-related documents. The Port owns the land in the Project and leases it for development.

The Port's partner for development of the Project is Seawall Lot 337 Associates, LLC ("Developer"), an affiliate of the San Francisco Giants and Tishman Speyer. The Disposition and Development Agreement ("DDA") and related agreements between the Port and the Developer govern the Project's development.

The entitled Mission Rock Project anticipates up to 1,200 units of new rental housing including 40 percent affordable units, 1.4 million square feet of new commercial and office space, rehabilitation of historic Pier 48, space for small-scale manufacturing, retail and neighborhood services, waterfront parks, and public infrastructure. The Mission

Rock Project is located at SWL 337 and Pier 48 bound by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay.

The Project, now on the precipice of construction, represents 11 years of effort, led by the Port Commission, Port and City staff, and the Developer. These efforts include state legislation; neighborhood planning and neighborhood outreach; infrastructure planning and design; shoreline and sea level rise resiliency planning; development of a Special Use District; and successful collaborations with regulators and partner agencies related to topics like workforce development, affordable housing, transportation, public access, and park development.

FINANCING BACKGROUND

On September 20, 2019, the Port Commission approved the Phase 1 Budget of the Project, which outlined the expected costs and revenue sources for the phase improvements. The Phase 1 budget included:

- **Project Costs.** Projected hard costs, soft costs, and return on Developer equity for the Phase 1 Horizontal Infrastructure improvements.
- **Pro Forma Project Revenues.** Sources include:
  - o The four Phase 1 prepaid leases
  - o Public financing sources including Mission Rock CFD bond proceeds (including the proposed Bonds), Mission Rock CFD pay-as-you-go (“pay-go”) special taxes (those not dedicated to bond debt service), and IFD Project Area I pay-go tax increment

Table 1 below summarizes the Phase 1 budget sources and uses.

*Table 1. Phase 1 Overview of Sources and Uses ($ millions)**

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

*Numbers are rounded and thus may not appear to sum precisely.

The Board passed an ordinance establishing IFD Project Area I on February 27, 2018, which the Mayor signed on March 6, 2018.

On April 14, 2020, the Board passed a resolution approving the formation of the Mission Rock CFD. The Mayor signed this resolution on April 24, 2020. On May 5, 2020, after a public hearing and landowner vote, the Board approved a resolution determining a not to exceed limit on bonded indebtedness and other debt of $3,700,000,000 for the Mission Rock CFD, which the Mayor signed on May 15, 2020. Finally, the Board passed an ordinance levying special taxes within the Mission Rock CFD on May 12, 2020, which was signed by the Mayor on May 22, 2020 ("Ordinance 79-20").

IFD Project Area I generates revenues for the Project by capturing the growth tax increment generated in Project Area I when the tax increment exceeds $100K in a Sub-Project Area (i.e., ad valorem property tax revenues generated by increases in the assessed value of the Project above the value in the base year of 2017-2018). The Mission Rock CFD includes four separate special taxes:

1. **Development Special Tax** – funds horizontal infrastructure on the site; expected 45-year life. The financing plan for the Project assumes that, over time, the City will not need to levy the Development Special Tax to pay debt service because it will be offset by tax increment generated in IFD Project Area I.
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 can also fund horizontal infrastructure on the site; 120-year life
4. **Contingent Services Special Tax** – funds ongoing maintenance and services of the area if the Homeowners' Association dues do not fund these services

The proposed Bonds will only be secured by the payment of Development Special Taxes. No other Mission Rock CFD special taxes will be pledged to the repayment of the Bonds. However, the IFD Project Area I tax increment will provide an additional security for the Bonds, as discussed below.

Mission Rock CFD Special Tax Bonds

The proposed Bond Resolution would authorize the first sale of special tax bonds for the Mission Rock CFD, in an amount not to exceed $50,100,000. The proposed Bonds will be secured by a pledge of the Development Special Tax levied on taxable property in the Mission Rock CFD in accordance with Ordinance 79-20 and the Rate and Method of Apportionment of Special Taxes for the Mission Rock CFD ("RMA") adopted at formation.

Bond Security and Pledge of Tax Increment

The proposed Bond financing will utilize both the Mission Rock CFD and IFD Project Area I sources. Only the Development Special Taxes will be pledged to debt service on the Bonds; this Bonds will not be payable from any of the other three Mission Rock CFD special taxes listed previously. As additional security, the Bonds will also be payable from tax increment generated in IFD Project Area I. The proposed structure allows tax increment generated in IFD Project Area I to "offset" the Development Special Taxes. The offset increases the value of the Port's land by reducing the long-term tax burden on the site. Under this offset structure, tax increment from one year acts as a credit for the next year's Development Special Tax obligation once the developed property is assessed. Table 2 below illustrates a simplified example of the relationship between Development Special Taxes and tax increment generated in IFD Project Area I.

Hypothetical (for informational purposes only). In Year 1, the property lessee owes Development Special Taxes and ad valorem property taxes. The IFD tax increment generated in early years will not act as a credit until the property meets certain milestones, which are assumed to occur in Year 2. In Year 2, the lessee owes both Development Special Taxes and ad valorem property taxes. The IFD Project Area I tax increment generated in Year 2 now serves as a credit for Development Special Taxes in Year 3. In Year 3, the lessee continues to pay ad valorem property taxes but receives a credit for the Development Special Taxes that would otherwise be levied from the prior year's IFD Project Area I tax increment (they can only receive a credit up to the maximum Development Special Tax). In Year 4, the lessee owes ad valorem property taxes but again receives the benefit of the prior year's IFD Project Area I tax increment as a full credit offset for the Development Special Taxes that otherwise would be levied. This pattern will continue for the life of the Development Special Tax and IFD Project Area I, assuming no changes to the property. Depending on the timing of development, the assessment of properties, the real estate market, and other factors, the offset may not occur until a later year and may also not fully offset the Development Special Tax.

Table 2. Mission Rock CFD Offset Structure

	Year 1	**Year 2**	**Year 3**	**Year 4**
Development Special Tax	1,000,000	1,000,000	1,000,000	1,000,000
IFD Project Area I Tax Increment	400,000	1,100,000	1,100,000	1,100,000
Offset to Development Special Tax	0	0	(1,000,000)	(1,000,000)
Total Taxes	**1,400,000**	**2,100,000**	**1,100,000**	**1,100,000**

*Arrows show the Tax Increment from the previous year acting as a credit to the Development Special Tax.

To ensure tax increment from IFD Project Area I is available to pay debt service on the on the proposed Bonds, the resolution approves a form of Pledge Agreement, pursuant to which the IFD pledges to pay tax increment for debt service on the Bonds. Therefore, once the Mission Rock properties are assessed, the ongoing tax increment from IFD Project Area I will be pledged to fund debt service payments on the Mission Rock CFD special tax bonds (including the Bonds). Table 2 shows this debt service payment structure in Years 3 and 4, which is anticipated to continue for the life of the Bonds.

The City began levying Mission Rock CFD special taxes on the Undeveloped Property within the Mission Rock CFD in Fiscal Year (FY) 2020-21. Additionally, the Port executed Vertical Parcel Leases for Parcel G on June 25, 2020 and Parcels A, B, and F on October 6, 2020. The execution of these Parcel Leases initiates a 24-month or longer countdown for the levying of the Mission Rock CFD special tax on Developed Property, whereby the levy on Developed Property begins in the Fiscal Year after the 24-month anniversary of Parcel Lease execution. Thus, the Mission Rock CFD special tax levy on Developed Property for Parcel G will begin in FY 2022-23 and for Parcels A, B and F in FY 2023-24. Prior to then, the Development Special Tax will be levied on the undeveloped property based upon each parcel's expected square footage and use, in accordance with the RMA approved by the Board, to provide revenues to fund any debt service obligations. The IFD Project Area I tax increment offset mechanism will begin when the Assessor finalizes the assessment of each parcel, which is not anticipated to occur until after the Mission Rock CFD special tax levy on developed properties begins.

The proposed Bonds will be sold without a rating ("Non-Rated"). The real estate development is in relatively early stages and likely would not receive an investment grade rating. Non-Rated special tax bonds have unique credit considerations and risk factors for investors, which are discussed in the Preliminary Official Statement Special Risk Factors section. The Bonds are limited obligations of the City, secured by and payable solely from a pledge of the Development Special Taxes levied in the Mission Rock CFD and tax increment generated in IFD Project Area I.

The General Fund of the City and the Port Harbor Fund are not liable for the payment of principle or interest on the Bonds, and the credit of the City, the credit of the Port, and the General Fund of the City are not pledged to the payment of the Bonds. Other than the Special Taxes and the IFD tax increment, the City is not obligated to levy any taxes for repayment of the Bonds.

Under the Fiscal Agent Agreement, the City, on behalf of the Mission Rock 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 Development Special Taxes on the leasehold interest in properties within the Mission Rock CFD, and will diligently pursue such proceedings to completion.

Bond Sizing and Value-to-Lien Ratio

Two factors limit the amount of Mission Rock CFD bonds that may be sold: 1) the ongoing tax revenue capacity; and 2) an appraisal or assessment of the value of the CFD.

Ongoing Development Special Tax capacity must be at least 110 percent of the debt service requirement on any Mission Rock CFD Development Special Tax bonds. For example, if the annual debt service payments are $1.0 million, the annual Development Special Tax revenue (after setting aside amounts for administrative expenses) must be at least $1.1 million.

Because the City will foreclose on the taxable leasehold interests in the Mission Rock CFD if they are delinquent in the payment of the Development Special Tax, the value of the leasehold interests – determined by an appraisal in this instance – is an important credit consideration for purchasers of the Bonds. Under the City's *Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts*, the City must sell the Bonds to achieve at least a 3-to-1 value-to-lien ratio based on 1) the appraised value or the assessed value of the leasehold interests in the taxable parcels in the Mission Rock CFD and 2) special tax and assessment debt encumbering such leasehold interests (including the Bonds). This policy means that the value of the leasehold interests in the Mission Rock CFD must be three times the outstanding amount of the Bonds and any other special tax and assessment debt.

Integra Realty Resources, Inc. ("Appraiser") prepared an Appraisal Report dated October 12, 2020, with a valuation date of April 22, 2020, estimating the market value of the leasehold interest of 11 of the 12 blocks within the Mission Rock CFD to be $150,400,000. Parcel D2 is excluded because it is not subject to the Lien of the Special Tax as a parking facility; separately, Pier 48 is not part of the Mission Rock CFD presently but may be annexed into the Mission Rock CFD in the future.

For the Bonds, the value-to-lien ratio is 3.0-to-1 based on the not to exceed par amount of $50,100,000 and the current appraised value (as of April 22, 2020) of the leasehold interests in the Mission Rock CFD of $150,400,000. The Appraisal Report is subject to certain assumptions and limiting conditions set forth therein. Additionally, the unprecedented economic effects of the COVID-19 pandemic created additional challenges to estimating the value of the leasehold interests within the Mission Rock CFD. Integra is currently preparing a revised appraisal to update the valuation to include the latest known information about COVID-19's economic impacts. If the appraised value of the Mission Rock CFD properties changes, the issuance will maintain at least a 3-to-1 value-to-lien ratio and not exceed a par amount of $50,100,000.

The value of individual leasehold interests in the parcels in the Mission Rock CFD may vary significantly, and no assurance can be given that should Development Special Taxes levied on one or more of the leasehold interests in the parcels become delinquent, and should the delinquent leasehold interests in the parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the leasehold interest in the property or, if a bid is received, that such bid would be sufficient to pay such parcel's delinquent Development Special Taxes.

While this value-to-lien calculation incorporates the value of all the leasehold interests in the Mission Rock CFD, the Bonds are sized based on the Development Special Taxes from only the four Phase 1 parcels. The Development Special Tax revenues on the first four parcels will far exceed the coverage required for the initial Bonds with a not-to-exceed amount of $50,100,000. Table 3 below shows the expected annual Development Special Tax revenues that are expected to be available to pay debt service on the Bonds.

Table 3. Mission Rock CFD Projected Development Special Tax Revenues

Planning Parcel	FY20-21 Expected Maximum	FY20-21 Actual Levy	FY21-22 Actual Levy	FY22-23 Actual Levy	FY23-24 Actual Levy
Parcel A	$1,598,937	$207,107	$246,340	$35,566	$589,116
Parcel B	$1,690,703	$218,993	$260,477	$37,607	$622,926
Parcel F	$988,931	$128,094	$152,359	$21,997	$364,364
Parcel G	$1,878,431	$243,309	$289,400	$1,954,320	$692,094
Other Parcels	$8,025,363	$1,039,507	$1,236,424	$178,510	$0
Total	**$14,182,366**	**$1,837,010**	**$2,185,000**	**$2,228,000**	**$2,268,500**

Notes: Other Parcels includes all eight parcels from Phases 2-4 except the proposed parking garage in Parcel D. Actual tax levy shows amounts for debt service on the Bonds only.

Use of Proceeds

The Bond proceeds will 1) finance or reimburse entitlements and horizontal improvements for the Project, 2) fund a debt service reserve fund for the Bonds, 3) fund capitalized interest on the Bonds, if any, 4) fund administrative expenses, and 5) pay costs of issuance. Proceeds of the initial issuance of Bonds will reimburse the Developer for outstanding entitlement costs and the initial stages of Phase 1 horizontal improvements (e.g. utilities, streets, sidewalks, parks, etc.).

Table 4 below summarizes the estimated sources and uses for the Bonds, based on current market conditions and the current appraised value.

Table 4. Estimated Sources and Uses of the Special Tax Bonds, Series 2021

Sources	**Amount**
Bond Proceeds	
Par Amount	$50,100,000.00
Premium	$3,800,506.75
Total Sources	**$53,900,506.75**

Uses	**Amount**
Improvement Fund	$48,519,043.75
Debt Service Reserve Fund	$4,430,463.00
Delivery Date Expenses:	
Cost of Issuance	$450,000.00
Underwriter's Discount	$501,000.00
Total Uses	**$53,900,506.75**

Source: Stifel

Interest Rate and Projected Debt Service

Based upon current market conditions, a 30-year term, and a true interest cost of 4.45 percent, which assumes the issuance of all Bonds on a tax-exempt basis, Stifel estimates average annual debt service of approximately $3.4 million. If issued at the not to exceed total par amount of $50.1 million is estimated to result in approximately $51.0 million in interest payments over the life of the Bonds. The total debt service over the life of the Bonds is estimated at approximately $101.1 million.

Method of Sale and Bond Purchase Agreement

Given that the proposed Bonds will be unrated, and the underlying project is a new real estate development project, the City's independent municipal advisor recommend a negotiated sale for this transaction. The Bonds will be secured as to repayment from

Development Special Taxes from specific leasehold interests within the CFD and are outside of the City's customary credit profile. Prior to formation, the Port selected Stifel, Nicolaus & Company, Incorporated ("Stifel") to serve as the Underwriter. Stifel is in the City's Underwriter Pool, which was established via a competitive process, and was selected for this transaction through a competitive RFP. A Board Resolution will approve the form of the Bond Purchase Agreement, which provides the terms of sale of the bonds by the City to Stifel.

The Capital Plan

The Bonds are limited obligations of the City payable solely from the Development Special Tax revenues and tax increment generated in IFD Project Area I and therefore are not subject to policy constraints of the Ten-Year Capital Plan.

ADDITIONAL INFORMATION

The proposed Bond financing requires two separate actions by the Board of Supervisors: (i) the Board of Supervisors, as legislative body of the CFD, must adopt a resolution approving the issuance of the Bonds and related documents and actions and (ii) the Board of Supervisors, as legislative body of the IFD, must adopt a resolution approving the Pledge Agreement and related documents and actions.

The two resolutions are expected to be introduced at the Board of Supervisors meeting on Tuesday, November 3, 2020. The forms of the financing documents related to the Special Tax Bonds—including the Bond Purchase Agreement, Fiscal Agent Agreement, Pledge Agreement, Preliminary Official Statement, the Continuing Disclosure Certificate — will also be submitted.

Bond Purchase Agreement: The City intends to pursue a negotiated sale of the Bonds with a sale of the Bonds to the Underwriter. The Bond Purchase Agreement details the terms, covenants, and conditions for the sale of the Bonds to the Underwriter as well as agreements regarding expenses, closing and disclosure documents.

Fiscal Agent Agreement: The Fiscal Agent Agreement governs the use of Development Special Taxes and tax increment from IFD Project Area I to pay debt service on the Bonds. The Fiscal Agent Agreement also provides for the terms of the Bonds, including principal amount, interest rate, redemption, and the conditions for issuance of additional parity bonds. The Fiscal Agent holds Bond proceeds and will disburse them as directed by authorized City representatives.

Preliminary Official Statement ("POS"): The POS is distributed to investors prior to the sale of the Bonds and provides information for investors in connection with the public offering by the City of the Bonds. The POS describes the Bonds, the Project, including sources and uses of funds; security for the Bonds (including information about the Mission Rock CFD and IFD Project Area I); risk factors; and other legal matters, among other information. The Appraisal Report will be attached as an appendix to the Official Statement.

Official Statement. The final Official Statement contains the same information as the POS but includes the results of the pricing of the Bonds (i.e., sale results including principal amounts, offering prices, interest rates, underwriters' compensation). The Official Statement is distributed to prospective purchasers of the Bonds.

Under the anti-fraud provisions of the federal securities laws, the City is required to ensure that the POS and the Official Statement are accurate and complete in all material respects. This obligation applies to the individual members of the governing bodies approving the document as well as City staff charged with preparing the document. Much of the information in the Official Statement was provided by the Developer, and the Developer will certify in writing that the information provided by the Developer is accurate and complete in all material respects. "Material" in this context means that there is a substantial likelihood that the information would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Bonds. The draft Preliminary Official Statement has been submitted for the Port Commission's review prior to its publication.

The Board of Supervisors and the Mayor, in adopting and approving the Bond Resolution, approve and authorize the use and distribution of the Preliminary and Final Official Statements by the Underwriters and financial advisors with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are "deemed final" as of their respective dates.

Continuing Disclosure Certificate: In connection with the issuance of the Bonds, the City will agree to provide certain financial information and operating data relating to the Bonds ("Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made in order to assist the Underwriters of the Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

NEXT STEPS

If the Port Commission approves this item, staff will work with the OPF to seek Board approval of the Bonds and related documents. With this approval, the OPF will lead the distribution of the POS and sale of the Bonds. Table 5 below shows an estimated timeline of key financing items.

Table 5. Mission Rock CFD Financing Schedule

Item	Date
Introduction of Legislation to Board of Supervisors	Nov 3, 2020
Capital Planning Committee Presentation	Nov 9, 2020
Budget & Finance Committee Hearing	Nov/Dec 2020
Board Approval of Legislation	Nov/Dec 2020
Sale and Closing of Bonds	Jan/Feb 2020

Prepared by: Wyatt Donnelly-Landolt
Finance & Administration

Phil Williamson
Real Estate & Development

Prepared for: Rebecca Benassini
Real Estate & Development
Assistance Deputy Director

Katie Petrucione
Finance & Administration
Deputy Director

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 20-48

WHEREAS, The Mission Rock Project at Seawall Lot 337 and Pier 48 is a mixed-use development project that will create up to 1,200 units of housing including 40 percent affordable units, 1.4 million square feet of new office space, and a new waterfront park across from Oracle Park; and

WHEREAS, After over a decade of planning, the Mission Rock Project is preparing to break ground on horizontal infrastructure construction and vertical development in the coming months; and

WHEREAS, The Port Commission approved the Mission Rock Project on January 30, 2018, the Board of Supervisors approved the project on February 13, 2018, and on August 15, 2018, the Port and Seawall Lot 337 Associates signed all project-related documents; and

WHEREAS, The Mission Rock Project supports the Port's efforts to enhance and balance the Port's maritime and economic purpose, rich history, and changing relationship with the City so the waterfront continues to be a treasured destination; and

WHEREAS, Under Chapter 43, Article X of the San Francisco Administrative Code (as it may be amended from time to time, "Code"), which incorporates by reference the Mello-Roos Community Facilities Act of 1982, as amended ("Mello-Roos Act"), the Board of Supervisors previously conducted proceedings to form "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)" ("CFD"), to authorize the levy of special taxes upon the land within the CFD, which consists of the property comprising the Mission Rock Project, and to authorize the issuance of bonds and other debt secured by said special taxes for the purpose of financing certain improvements ("Authorized Facilities") and incidental expenses; and

WHEREAS, Pursuant to Resolution No. 196-20, which was adopted on May 5, 2020 and signed by the Mayor on May 15, 2020, the Board of Supervisors authorized the issuance of up to $3,700,000,000 of bonded indebtedness and other debt on behalf of the CFD, and directed staff to prepare documentation for such bonded indebtedness and other debt and return to the Board of Supervisors for approval of such documentation; and

WHEREAS, Under California Government Code Sections 53395 et seq. ("IFD Law"), the Board of Supervisors previously conducted proceedings to form "City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco)" ("IFD") and, within the IFD, Project Area I (including 13 sub-project areas) ("Project Area I"); Project Area I consists of the property comprising the Mission Rock Project; and

WHEREAS, On September 20, 2019, the Port Commission approved Resolution 19-39, which approved the Phase 1 Budget outlining the expected costs and revenue sources for the Mission Rock Project Phase 1 improvements; and

WHEREAS, In the Phase 1 Budget for the Mission Rock Project, the financial sources projected to fund the Mission Rock Project included the four Phase 1 prepaid leases and multiple public financing sources, including CFD bond proceeds, CFD pay-as-you-go (pay-go) taxes, and pay-go tax increment from Project Area I; and

WHEREAS, A CFD bond on unimproved land was one of two early Mission Rock Project sources in the Phase 1 Budget that will limit Developer return on Mission Rock Project expenses; and

WHEREAS, Port staff is proposing that the City, on behalf of the CFD, issue one or more series of special tax bonds (the "Bonds") that will be secured by (i) the Development Special Tax levied in the CFD and (ii) tax increment generated in Project Area I, which the IFD will pledge to the Bonds under a Pledge Agreement; and

WHEREAS, The Development Special Tax will be levied on leasehold interests in the parcels in the CFD, and the Project Area I tax increment will be generated by increases in the assessed value of those leasehold interests; and

WHEREAS, The primary purpose of pledging the Project Area I tax increment to the Bonds is to reduce and potentially eliminate the need to levy the Development Special Taxes in the CFD; and

WHEREAS, The General Fund of the City and Harbor Fund are not liable for the payment of principle or interest on the Bonds, and the credits of the City and the Port are not pledged to the payment of the Bonds; and

WHEREAS, Because the Bonds will be payable only from Development Special Taxes and tax increment from Project Area I, the Bonds are not subject to policy constraints of the Ten-Year Capital Plan; and

WHEREAS, Two factors limit the amount of Bonds that can be sold: (i) ongoing Development Special Tax capacity must be at least 110 percent of the debt service on the Bonds and (ii) the City's *Amended and Restated*

Local Goals and Policies for Community Facilities Districts and Special Tax Districts generally require the City to sell the Bonds to achieve at least a 3-to-1 value-to-lien ratio based on (A) the appraised value or the assessed value of the leasehold interests in the taxable property in the CFD and (B) the special tax and assessment debt encumbering such leasehold interests, including the Bonds; and

WHEREAS, Integra Realty Resources, Inc. prepared an Appraisal Report dated October 12, 2020, which estimates that the market value of the leasehold interests in 11 of the 12 blocks within the CFD was $150,400,000 as of April 22, 2020; Parcel D2 is not included in the Appraisal Report because, as a parking facility, it is not subject to Development Special Tax, and Pier 48 is not part of the CFD presently; and

WHEREAS, Staff is proposing a not to exceed principal amount of the Bonds of $50,100,000, which would achieve a value-to-lien ratio of 3-to-1 based on the appraised value as of April 22, 2020; and

WHEREAS, The Bonds will be sized based on the Development Special Taxes that may be levied on the leasehold interests in the four Phase 1 parcels, and the Development Special Tax capacity of those four parcels exceeds the 110 percent coverage requirements for the Bonds if they are issued in the principal amount of $50,100,000; and

WHEREAS, The Bond proceeds will 1) finance or reimburse entitlements and horizontal improvements for the Project, 2) fund a debt service reserve fund for the Bonds, 3) fund capitalized interest on the Bonds, if any, 4) fund administrative expenses, and 5) finance costs of issuance; and

WHEREAS, The City's municipal advisors recommend a negotiated sale for the Bonds; and

WHEREAS, The Bonds will be issued pursuant to a Fiscal Agent Agreement by and between the City, for and on behalf of the CFD, and a fiscal agent to be identified by the Director of the Office of Public Finance; and

WHEREAS, The Bonds will be marketed to potential investors by distribution of a Preliminary Official Statement, and the Bonds will be sold to the underwriter(s) pursuant to a bond purchase agreement ("Bond Purchase Agreement") between the City and the underwriter(s); and

WHEREAS, The Port Commission wishes to recommend that the Board of Supervisors, as legislative body of the CFD, adopt a resolution approving the issuance of the Bonds and related documents and actions; and

WHEREAS, The Port Commission further wishes to recommend that the Board of Supervisors, as legislative body of the IFD, adopt a resolution approving the Pledge Agreement and related documents and actions; and

WHEREAS, The forms of the proposed resolutions, the Fiscal Agent Agreement, the Pledge Agreement, the Preliminary Official Statement, and the Bond Purchase Agreement are on file with the Secretary of the Port Commission; and

WHEREAS, The Commissioners have had the opportunity to review the information in the Preliminary Official Statement; now therefore be it

RESOLVED, That the foregoing recitals are all true and correct; and, be it

RESOLVED, That the Port Commission recommends that the Board of Supervisors, as legislative body of the CFD, adopt a resolution (i) approving the issuance of the Bonds in one or more series in the aggregate principal amount not to exceed the lesser of (A) $50,100,000 and (B) such lower amount required to achieve a 3-to-1 value-to-lien ratio if a revised Appraisal concludes that the market value of the leasehold interests in the taxable parcels in the CFD are lower than $150,400,000 and (ii) approving related documents and actions; and, be it

RESOLVED, That the Port Commission recommends that the Board of Supervisors, as legislative body of the IFD, adopt a resolution approving the Pledge Agreement and related documents and actions; and, be it

RESOLVED, That all actions heretofore taken by the officers and agents of the Port with respect to the establishment of the CFD, the IFD and Project Area I, the sale and issuance of the 2020 Bonds, and the execution and delivery of the documents described herein are hereby approved, confirmed and ratified, and the appropriate officers of the Port are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements, and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this resolution, provided that no such actions shall increase the risk to the City or Port or require the City or Port to spend any resources not otherwise described herein; and, be it

RESOLVED, That the Port Commission hereby authorizes the Executive Director to cause the resolutions and documents described herein to be submitted to the Board of Supervisors and to work with the Director of the Office of

Public Finance to finalize and cause the distribution of the Preliminary Official Statement

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 27, 2020.

____

Secretary