OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0792025-002

Agenda Item **No. 5(c)**
Meeting of November 18, 2025

**MEMORANDUM**

**TO:** Community Investment and Infrastructure Commissioners

**FROM:** Thor Kaslofsky, Executive Director

**SUBJECT:** Approving Preliminary and Final Official Statements, a Continuing Disclosure Certificate and other related documents and actions for new money Tax Allocation Bonds previously approved by the Successor Agency Commission, the Oversight Board, and Department of Finance and permitted under Section 34177.7(a)(1)(A) of the California Health and Safety Code, to finance affordable housing obligations

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**EXECUTIVE SUMMARY**

The Office of Community Investment and Infrastructure ("OCII") proposes issuing new money tax allocation bonds in an amount estimated at $110 million to fund affordable housing obligations under special authority granted to OCII in state legislation, Senate Bill 107 (2015), *codified at* Cal. Health & Safety Code Section 34177.7(a)(1)(A). If approved, the bonds would be known as the 2025 Series C Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects) (Social Bonds) (the "2025C Bonds"). As described in OCII's Fiscal Year 2025-26 annual budget, staff anticipates using the net proceeds from the 2025C Bonds to fund affordable housing (project at Block 4 East A in the Mission Bay South Project Area, and predevelopment costs for the project at Block 11A in the Candlestick Point area of Bayview Hunters Point Redevelopment Project Area). The Commission on Community Investment and Infrastructure ("Commission") previously approved the issuance of the 2025C Bonds pursuant to Resolution No. 23-2025, adopted July 15, 2025 (the "Bond Resolution"). As required under Redevelopment Dissolution Law, the Oversight Board of the City and County of San Francisco and the Department of Finance have also reviewed and approved the bond issuance.

The next step in the issuance process for the 2025C Bonds is for the Commission to adopt a resolution approving the Preliminary and Final Official Statements for the 2025C Bonds, as well as a Continuing Disclosure Certificate for the 2025C Bonds. The Board of Supervisors of the City and County of San Francisco approved the issuance of the 2025C Bonds in connection with its approval of OCII's Fiscal Year 2025-26 annual budget pursuant to Resolution No. 321-25, on July 15, 2025 (the "Board of Supervisors Resolution"). Except for the action now before the Commission, OCII has received the



One S. Van Ness Ave.
5th Floor
San Francisco, CA
94103

628 652 8500

www.sfocii.org

necessary budget, legislative, and regulatory approvals to issue the 2025C Bonds. The current resolution is the final action required of the Commission in the issuance of the 2025C Bonds. OCII plans to issue the 2025C Bonds in December 2025.

*Staff recommends approval of the Preliminary and Final Official Statements, a Continuing Disclosure Certificate and other related documents and actions for the 2025C Bonds to fund affordable housing.*

**DISCUSSION**

**Legislative Approvals**

The 2025C Bonds have received several approvals starting in April and continuing to October 2025, see the below timeline:

1. April 15, 2025- The Commission approved, by Resolution 04-2025, the OCII FY25-26 budget, which included the issuance of tax allocation bonds to fund affordable housing projects.
2. July 15, 2025- The Commission authorized, by Resolution No. 23-2025, the issuance of the 2025C Bonds and approved a Third Supplement to the Indenture of Trust and a Bond Purchase Contract.
3. August 6, 2025- The Oversight Board approved, by Resolution 02-2025, the issuance of the 2025C Bonds.
4. October 1, 2025- The Department of Finance approved the issuance of the 2025C Bonds.

Today's proposed resolution is the final action to be taken by the Commission in connection with the issuance of the 2025C Bonds. These previous approvals of the bond issuance included an amount for Transbay infrastructure, which will be separately acted on by the Commission at a later date, as explained in the resolution accompanying this memorandum.

**Proposed Action**

As the final legislative step by the Commission in connection with the issuance of the 2025C Bonds, the Commission must approve a Preliminary and Final Official Statement, as well as approve a Continuing Disclosure Certificate.

OCII has selected Stifel, Nicolaus & Company, Incorporated ("Stifel"), Morgan Stanley & Co. LLC ("Morgan Stanley"), and Piper Sandler & Co. ("Piper") as underwriters for the proposed issuance. Stifel will act as the book-running senior manager (lead underwriter) with Morgan Stanley and Piper as co-managers. This selection was based on a competitive selection process administered according to Section IX.C.5 of the OCII Purchasing Policy, which authorizes OCII to select a Contractor from a City and County of San Francisco ("CCSF") panel established using the City's competitive selection process. This process is described below.

OCII staff issued a Request for Proposals ("RFP") for bond underwriting services on May 9, 2025, using a standard process for these types of RFPs. OCII sent the RFP to the members of the City's underwriter panel, giving the panel members fifteen (15) business days to respond. OCII received five (5) responses. A panel including KNN Public Finance, LLC (OCII's Independent Registered Municipal Advisor), the CCSF Controller's Office of Public Finance, and OCII's Debt Manager reviewed the responses based on the following criteria: relevant firm experience, relevant banking team experience, structuring analysis, and fees. The panel evaluated experience based on Redevelopment and Successor Agency tax allocation bond issuance experience. The panel also considered OCII's Small Business Enterprise contracting goals.

The selection panel recommended Stifel as the lead underwriter based on its knowledge of OCII's credit, the strength of its sales and marketing capabilities and its experience serving as a leading senior manager in Redevelopment and Successor Agency bonds. The selection panel recommended Morgan Stanley and Piper as the co-managers based on their redevelopment finance experience and knowledge of OCII's credit.

**Bond Issuance**

The OCII FY25-26 budget included the issuance of tax allocation bonds to finance affordable housing projects. Current estimates for sources and uses of the 2025C Bonds are described below.

**Table 1: Sources and Uses**

| **Sources** | **2025C Bonds Affordable Housing** |
|---|---:|
| Bond Proceeds | $109,625,000 |
| **Total Sources** | **$109,625,000** |
| | |
| **Uses** | |
| Project Fund | 97,832,000 |
| Debt Service Reserve Fund | 10,962,500 |
| Cost of Issuance | 500,000 |
| Underwriter's Discount | 328,875 |
| Other Uses of Funds | 1,625 |
| **Total Uses** | **$109,625,000** |

The actual issuance amount will be finalized in the weeks before the bond issuance and will be based on the most up-to-date project costs and market conditions. OCII will only issue the amount of bonds necessary to fund project costs.

**Preliminary Official Statement and Final Official Statement**

The Preliminary Official statement ("POS") is an informational disclosure document released prior to the sale of the 2025C Bonds. Its purpose is to give detailed financial information about the issuer, in this case OCII, and the bond offering. The POS describes the 2025C Bonds, their security and sources for payment, associated risk factors, and other pertinent financial matters. The final Official Statement ("OS") is released after the sale of the 2025C Bonds. The OS is substantially in the form of the POS and is to be updated with any material information not otherwise disclosed in the POS and information that is market dependent such as the aggregate principal amount of the bonds, the interest rates on each maturity, the offering price, the redemption provisions, and delivery dates.

The distribution of the POS and the OS is subject to the federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the POS to include all facts that would be material to an investor in the 2025C Bonds. Information is material if there is a substantial likelihood that the information would have actual significance in the deliberations of a reasonable investor when deciding whether to buy or sell securities. The Securities and Exchange Commission ("SEC"), the agency with regulatory authority over compliance with the federal securities laws, has indicated that if a member of a legislative body, like the Commission, has knowledge of any facts or circumstances that an investor would want to know prior to investing in securities, like the 2025C Bonds, whether relating to their repayment, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the POS. The steps that a member of the Commission could take to fulfill this obligation include becoming familiar with the POS and questioning staff and other members of the financing team about the disclosure of such facts.

**Proposed 2025C Bonds Projects**

The proceeds of the proposed 2025C Bonds are programmed for affordable housing funding actions included in the FY25-26 budget. Details on the proposed projects that are anticipated to utilize these funds is summarized below.

**Table 2: 2025C Bonds Affordable Housing Project Detail**

| Location | Name | Units | Stage of Funding |
|---|---|---|---|
| Mission Bay South | Block 4 East A | 165 | Predevelopment and gap |
| Candlestick Point | Block 11A | 176 | Predevelopment |
| **Total** | | **341** | |

If these projects are delayed or otherwise not ready for funding, OCII may apply the proceeds of the proposed 2025C Bonds to other affordable housing projects the Commission has approved in the annual budget to the extent permitted to be financed under Section 34177.7(a)(1)(A) of the California Health and Safety Code.

**Security and Sources of Payment**

A bond is a financial instrument where the borrower issues a loan to borrow money. The borrower, known as the issuer, borrows money from the purchaser of the bond. In exchange, the issuer pays the purchaser interest throughout the term of the bond. When the bond matures, the issuer pays the purchaser back the original amount borrowed from the purchaser, which is known as the principal. The revenue stream the issuer will use to make interest and principal payments is known as the "credit". The 2025C Bonds will be issued against the Redevelopment Property Tax Trust Fund ("RPTTF") Third Lien / SB107 credit ("Third Lien credit").

The Third Lien credit includes the property tax increment generated by 10 of the 14 Project Areas, excluding property tax increment generated in 1) Mission Bay North, 2) Mission Bay South, 3) Shipyard Phase 2, Candlestick Point, and 4) the formerly state-owned parcels in Transbay. All four of these are separately pledged for other projects. Bonds, including the 2025C Bonds, issued against the Third Lien credit are subordinate to (i) the payment of debt service on outstanding loans entered into by the former Redevelopment Agency of the City and County and San Francisco (the "Existing Senior Loan Agreements"), but only to the extent tax increment revenues are pledged therefor, and (ii) refunding bonds issued by the Successor Agency payable from the funds on deposit in the RPTTF (the "RPTTF Subordinate credit").

**Associated Risk Factors**

The risk factors described in the POS for the 2025C Bonds are the normal risk factors associated with OCII bonds, including: reduction in tax base and assumed values, development risk, and risk associated with natural disasters. The risk factors for the 2025C Bonds have been updated to account for changes since OCII last issued Third Lien credit bonds in 2023. The updated risks include risks from:

Updated Risks

- Declines in assessed values.
- Hazardous substances.

The description of risks associated with hazardous substances is consistent with disclosure for other OCII bond issuances.

**Other Financial Matters**

Following the recommendation of its primary underwriter, Stifel, Nicolaus & Company, Incorporated, OCII intends to self-designate and market the 2025C Bonds as "Social Bonds." Social Bonds use the proceeds of the issuance to finance projects with positive social outcomes. As the proceeds of the 2025C Bonds will primarily finance affordable housing, the issuance of these bonds is consistent with certain principles of the United Nations 17 Sustainable Development Goals[1] as well as the International

[1] https://www.un.org/development/desa/disabilities/envision2030.html

Capital Market Association guidance for issuing Social Bonds,[2] including; Goal 1: No Poverty, Goal 10: Reduced Inequalities, and Goal 11: Sustainable Cities and Communities.

Investors who purchase financial vehicles with a social purpose, such as socially responsible investment funds or college endowment funds, seek investments such as Social Bonds. Over time, the increased demand for products like Social Bonds can result in a decrease in borrowing costs for the issuer.

The 2025C Bonds would be OCII's third issuance of bonds designated as Social Bonds. The prior OCII bonds with that designation were the 2021 Series A Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects) (Social Bonds) (the "2021A Bonds") and the 2023 Series A Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects) (Social Bonds) (the "2023A Bonds").

The San Francisco Public Utilities Commission has experienced a decrease in borrowing costs for Green Bonds, which are bonds issued to support climate related or environmental projects, when compared to its standard bond issuances. The 2021A Bonds established OCII in the Social Bond space and, if the trajectory of Social Bonds follows that of Green Bonds, this and future issuances are likely to see reduced borrowing costs when compared to bonds that do not have this designation.

**Continuing Disclosure Certificate**

The Continuing Disclosure Certificate describes OCII's contractual obligation to disclose information regarding the 2025C Bonds post-issuance. Although the Continuing Disclosure Certificate is a separate agreement, a form of the agreement is attached to the POS. The Continuing Disclosure Certificate for the 2025C Bonds includes the requirement that OCII disclose all parity debt, the top ten taxpayers and assessed valuation in the Project Areas, debt service coverage, and assessment appeals. Consistent with OCII's Disclosure Policy, adopted by the Commission via Resolution 21-2021 on June 1, 2021, OCII will post all disclosures on the Municipal Securities Rulemaking Board website, EMMA (https://emma.msrb.org).

## NEXT STEPS

Pending approval of Resolution 27-2025, OCII will seek a credit rating for the 2025C Bonds, prepare materials to market the 2025C Bonds to the investor community, and complete the due diligence process. Following these actions, OCII expects to issue and close the bonds in December 2025.

**Enabling Law**

Redevelopment Dissolution Law grants OCII the authority to issue bonds, subject to review and approval by the Oversight Board and the Department of Finance, for the purposes defined in Section 34177.7(a)(1)(A) of the Health and Safety Code, which includes financing affordable housing required under certain enforceable obligations, and to repay these bonds with property tax increment.

[2] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and- handbooks/social-bond-principles-sbp/

**California Environmental Quality Act**

Authorization of bonds and contracting for services related to the sale and issuance of bonds is a Successor Agency fiscal activity that does not constitute a "Project," as defined by the California Environmental Quality Act ("CEQA") in CEQA Guidelines Section 15378(b)(4) and will not independently result in a physical change in the environment and is not subject to environmental review under CEQA.

(Originated by Nick Jones, Debt Manager)

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Executive Director