

107-1042025-002

Agenda Item **No. 5(B)**
Meeting of January 12, 2026**MEMORANDUM****TO:** Oversight Board**FROM:** Thor Kaslofsky, Executive Director**SUBJECT:** Approving and directing, under sections 34177.5(a)(1), (a)(4) and (f) and 34180(b) of the California Health and Safety Code, the issuance of Successor Agency to the Redevelopment Agency of the City and County of San Francisco: 1) new money tax allocation bonds in an aggregate principal amount not to exceed \$48,000,000; and 2) refunding tax allocation bonds in an aggregate principal amount not to exceed \$170,000,000; approving and directing related actions; Mission Bay South Redevelopment Project Area

EXECUTIVE SUMMARY

The Office of Community Investment and Infrastructure (“OCII”) proposes issuing one or more series or subseries of new money tax allocation bonds to fund Mission Bay South Project Area (“Mission Bay”) infrastructure improvements, in an aggregate principal amount not exceeding \$48 million. If approved, OCII staff currently anticipates that the bonds will consist of one series captioned as the 2026 Series C Tax Allocation Bonds (Mission Bay South Redevelopment Project) (the “2026C Bonds”). The proceeds from the 2026C Bonds will be used to fund infrastructure in Mission Bay, to fund a debt service reserve fund, and to pay costs related to the issuance of the bonds.

In 2014, OCII issued Series A Tax Allocation Bonds for the Mission Bay South Redevelopment Project Area (the “2014A Bonds”). In 2016, OCII issued Series B and Series C Tax Allocation Bonds for the Mission Bay South Redevelopment Project Area (the “2016BC Bonds”). To achieve cost savings, OCII proposes issuing bonds in an aggregate principal amount not exceeding \$170 million to refund the outstanding 2016BC and 2014A Bonds (the refunding does not create additional funding). If approved, these bonds would be known as the Successor Agency to the City and County of San Francisco Redevelopment Agency 2026 Series D Tax Allocation Refunding Bonds (Mission Bay South Redevelopment Project) (the “2026D Bonds”). Together, the 2026D Bonds and the above 2026C Bonds are the “Bonds”. The proceeds from the 2026D Bonds will be used to refund the outstanding 2014A and 2016BC Bonds, to fund debt service reserve funds, to pay costs related to the issuance of the bonds, and to achieve an overall debt service cost savings.

The funding of infrastructure reimbursements in the Mission Bay South Redevelopment Project Area were approved in OCII’s Fiscal Year 2025-26 annual budget adopted by the Board of Supervisors at its meeting on July 15, 2025. In accordance with the Owner Participation Agreement for Mission Bay South (“OPA”), OCII intends to reimburse Mission Bay’s developer, FOCIL-MB LLC, for infrastructure costs in the Mission Bay South Redevelopment Project Area using the 2026C Bond proceeds for portions of the following:

- Bayfront Park (P22), an approximately 5-acre waterfront park which opened to the public in the third quarter of 2024
- Stormwater Pump Station #3
- A pedestrian-only publicly accessible block of Bridgeview Way
- P19, a 0.5-acre stormwater treatment park located on the west side of Terry Francois Boulevard between Mission Rock and China Basin Streets
- P2/P8, a 5-acre park located south of Mission Creek

To issue the 2026C Bonds and 2026D Bonds, the Oversight Board must take the following actions:

- Adopt the proposed resolution approving and directing the issuance of the 2026C Bonds and 2026D Bonds
- Approve and direct the execution of:
 1. Third Supplemental Indenture of Trust
 2. Irrevocable Refunding Instructions
 3. Bond Purchase Contract
- Approve and direct OCII staff to take all actions necessary to complete the issuance of the 2026C Bonds and 2026D Bonds, including issuing the 2026C Bonds and the 2026D Bonds at different times, and issuing multiple series of 2026D Bonds if necessary to maximize refunding savings
- Make certain determinations

After Oversight Board adoption of its resolution, OCII staff will submit the Oversight Board resolution to the Department of Finance (“DOF”) for its review. If DOF declines to review (resulting in an approval) or directly approves the issuance, OCII staff will return to the Commission for the next step, approval of an official statement for the 2026C Bonds and 2026D Bonds prior to sale.

Staff recommends the Oversight Board approve and direct the issuance of the 2026C Bonds and the 2026D Bonds, approve the primary documents, and direct any necessary staff actions.

DISCUSSION

OCII’s Fiscal Year 2025-26 budget, approved by the Board of Supervisors by Resolution No. 321-25 on July 15, 2025, and approved by the Mayor on July 23, 2025, authorizes OCII to issue new money tax allocation bonds to fund affordable housing, Transbay infrastructure, and Mission Bay South infrastructure in an aggregate principal amount not-to-exceed \$223 million. Of this aggregate not-to-exceed amount, OCII plans to issue the 2026C Bonds in an amount not-to-exceed \$48 million to fund Mission Bay South infrastructure.¹ Additionally, OCII plans to issue up to \$170 million in principal amount of the refunding 2026D Bonds² (the refunding does not create additional funding). The proposed resolution authorizes OCII

¹ Of the aggregate principal amount not-to-exceed \$223 million, \$48 million will fund Mission Bay South infrastructure reimbursements and the remaining \$175 million will fund affordable housing and Transbay infrastructure. The Commission approved the initiation of the \$175 million issuance (not-to-exceed) on July 15, 2025, by Resolution No. 23-2025, and the Oversight Board subsequently approved the action on August 6, 2025, by Resolution No. 02-2025.

² Refunding of bonds does not require new approvals by budget resolution. The existing bonds provide the authority for the refunding.

to issue up to \$48 million principal amount for the new money 2026C Bonds and up to \$170 million principal amount for the refunding 2026D Bonds.

The not-to-exceed amount is a maximum that includes a conservative budget and a contingency of approximately 10% to account for unforeseen cost changes. The not-to-exceed computation was prepared during the budget process and is shown below.

Table 1: Not-To-Exceed Sources and Uses

Sources	New Money 2026C Bonds	Refunding 2026D Bonds	Total 2026CD Bonds
Bond Proceeds	\$44,663,198	\$151,148,931	\$195,812,129
~10% Contingency	3,336,802	18,851,069	22,187,871
Total Sources	\$48,000,000	\$170,000,000	\$218,000,000
Uses			
Project Fund	40,000,000	-	40,000,000
Refunding of 2014A and 2016BC Bonds	-	137,616,500	137,616,500
Debt Service Reserve Fund: Cash Deposit	4,030,750	12,606,000	16,636,750
Cost of Issuance	500,000	500,000	1,000,000
Underwriters' Discount	132,448	426,431	558,879
~10% Contingency	3,336,802	18,851,069	22,187,871
Total Uses	\$48,000,000	\$170,000,000	\$218,000,000

The 2026C Bonds and 2026D Bonds will be issued on a tax-exempt basis. The actual principal amount of the 2026C Bonds and 2026D Bonds will be finalized in the weeks before the issuance and will be based on market conditions, with the 2026D Bonds structured to achieve an overall cost savings. OCII will only issue the amount of 2026C Bonds and 2026D Bonds necessary to fund Mission Bay South infrastructure and to refund the 2014A and 2016BC Bonds, fund debt service reserve funds (in cash or through the purchase of reserve insurance policies), and pay related costs of issuance (which may include bond insurance premiums). This resolution authorizes OCII to issue the 2026C Bonds and the 2026D Bonds at different times and authorizes the issuance of multiple series of 2026D Bonds if necessary to maximize refunding savings. Estimates for sources and uses based on current market conditions and project costs are described below.

Table 2: Current Estimate Sources and Uses (without Contingency)

Sources	New Money 2026C Bonds	Refunding 2026D Bonds	Total 2026CD Bonds
Bond Proceeds	\$40,572,981	\$130,952,110	\$171,525,091
2014A Reserve Release		5,996,607	5,996,607
Total Sources	\$40,572,981	\$136,948,718	\$177,521,699
Uses			
Project Fund	40,000,000	-	40,000,000
Refunding of 2014A and 2016BC Bonds	-	135,117,772	135,117,772
Debt Service Reserve Fund: Reserve Surety Policy & Bond Insurance Policy	246,858	796,671	1,043,530
Cost of Issuance	218,819	706,181	925,000
Underwriters' Discount	102,353	330,317	432,670
Additional Proceeds	4,951	-2,224	2,727
Total Uses	\$40,572,981	\$136,948,718	\$177,521,699

The components of the Total Uses are defined below:

1. *Project Fund*: Monies in the project fund will be used to fund Mission Bay South infrastructure projects.
2. *Refunding Proceeds*: Used to refund the outstanding 2014A and 2016BC Bonds.
3. *Debt Service Reserve Fund*: Cash or a debt service reserve surety insurance policy in the debt service reserve fund provides additional bondholder security and serves as a backstop should OCII be unable to make debt service payments. Debt service reserve funds are a standard feature of a tax allocation bond structure.
4. *Cost of Issuance*: The cost of the bond issuance process. Mostly costs for reports and analysis by consultants, such as municipal advisor, bond counsel, disclosure counsel, and the property tax fiscal consultant, as well as the cost of OCII staff time required to issue the bonds.
5. *Underwriters' Discount*: The Underwriters' Discount is the difference between the price the underwriters pay the issuer and the price at which they sell the bonds to the public. The underwriters are financial intermediaries reselling the bonds to investors and the Underwriters' Discount reflects the underwriters' compensation for their services, which include managing the offering, assuming the risk of unsold bonds, and marketing and selling them to investors.

6. *Bond Underwriter*: A bond underwriter is a financial intermediary, typically an investment bank, that purchases bonds from an issuer (like a corporation or government) with the intention of reselling them to investors. They play a crucial role in the bond issuance process, assessing risk, pricing the bonds, and facilitating their sale to the public.
7. *Additional Proceeds*: Balances the sources and uses and will be allocated to the project funds when the issuance numbers are finalized.

The proposed resolution authorizes OCII to issue new money 2026C Bonds in an amount up to \$48 million. The proposed resolution also authorizes OCII to issue refunding 2026D Bonds in an amount up to \$170 million. The actual issuance amounts 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 and refund existing bonds. OCII's use of bonds to fund Mission Bay South infrastructure (long-term capital assets) is an appropriate use of long-term debt and must comply with Section 34177.5(a)(4) of the California Health and Safety Code. OCII's use of bonds to refund existing bonds for savings must comply with Section 34177.5(a)(1) of the California Health and Safety Code, which requires that debt service savings are created. An estimate of the debt service savings to be created by the refunding, based on market conditions as of November 3, 2025, is presented below:

Table 3: 2026D Bonds – Refunding Savings

Bond Year Ending 8/1	2014A, 2016B&C Refunded Debt Service	2026D Refunding Debt Service	Savings
2027	11,908,000	11,117,104	790,896
2028	11,908,250	11,116,500	791,750
2029	11,910,500	11,125,250	785,250
2030	11,909,000	11,120,750	788,250
2031	11,908,250	11,123,000	785,250
2032	11,907,500	11,121,000	786,500
2033	11,911,000	11,129,250	781,750
2034	11,907,750	11,121,500	786,250
2035	11,907,250	11,117,750	789,500
2036	11,908,500	11,122,000	786,500
2037	11,910,500	11,123,000	787,500
2038	11,907,250	11,115,000	792,250
2039	11,908,000	11,117,500	790,500
2040	11,911,500	11,119,000	792,500
2041	11,911,500	11,123,500	788,000
2042	11,907,000	10,379,750	1,527,250
2043	11,907,000	10,374,000	1,533,000
Total	\$202,448,750	\$187,565,854	\$14,882,896

Enabling Authority

The 2026C Bonds and 2026D Bonds would be issued pursuant to Sections 34177.5(a)(4) and 34177.5(a)(1) of the California Health and Safety Code, respectively; the 2026D Bonds would also be issued under Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code. Issuance of the Bonds is subject to the approval of the Oversight Board and approval of DOF, unless DOF fails to request review, in which case the Bond's approval becomes final.

Proposed Action

As a first step in issuing the 2026C Bonds and 2026D Bonds, on January 6, 2026, the Commission adopted Resolution No. 01-2026 (the "OCII Resolution") authorizing the proposed issuance, approving and directing the execution of the Third Supplemental Indenture of Trust, Irrevocable Refunding Instructions, and a Bond Purchase Contract, approving the bond underwriter selection, and authorizing and directing OCII staff to take all actions necessary to complete the proposed issuance of the 2026C Bonds and 2026D Bonds.

Proposed Issuance

OCII proposes to issue two series of tax-exempt tax allocation bonds: new money 2026C Bonds in a principal amount not to exceed \$48 million and refunding 2026D Bonds in a principal amount not to exceed \$170 million. These bonds will be secured by property tax revenues generated from the Mission Bay South Redevelopment Project Area on a parity and on equal priority for payment with the outstanding 2025 Series A Taxable Tax Allocation Refunding Bonds (Mission Bay South Redevelopment Project) and 2025 Series B Tax Allocation Refunding Bonds (Mission Bay South Redevelopment Project). The 2026C Bonds and 2026D Bonds will be issued in accordance with the provisions of the Successor Agency's debt policy (the "Debt Policy"), adopted by Resolution No. 32-2021 of the Commission on October 5, 2021.

The resolution authorizes OCII to issue the 2026C Bonds and the 2026D Bonds at different times, and authorizes the issuance of multiple series of 2026D Bonds if necessary to maximize refunding savings.

Determinations Requested by the Successor Agency

In the Successor Agency Resolution, the Commission requested the Oversight Board to make certain determinations upon which the Successor Agency will rely in undertaking the proceedings necessary for the issuance of the Bonds. These determinations include:

- authorizing OCII to recover its issuance costs from the proceeds of the Bonds,
- authorizing OCII to expend bond proceeds to finance and refinance Mission Bay South infrastructure, and to pay costs of issuance of the Bonds,

- authorizing OCII to make payments for continuing post-issuance compliance and administrative costs related to the Bonds,
- entitling OCII to recover costs of issuance incurred with respect to the issuance of the Bonds from property tax.

The Successor Agency believes it is entitled to receive the amounts listed in the two final bullets above without adversely affecting the Administrative Cost Allowance (“ACA”). The ACA is the property tax, paid to the agency from the Redevelopment Property Tax Trust Fund (“RPTTF”), that OCII may use to fund its administrative costs. The RPTTF is a fund that pools property tax revenues generated from certain former and current redevelopment areas. The proposed resolution makes the determinations required by the California Health and Safety Code.

Bond Documents

Third Supplemental Indenture and Trustee of the 2014A Bonds

The proposed resolution approves the Third Supplemental Indenture of Trust (“Third Supplemental Indenture”), to be entered into by OCII and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), in the form attached as Exhibit C to the OCII Resolution. The Third Supplemental Indenture amends and supplements the Indenture of Trust dated as of March 1, 2014, by and between OCII and the Trustee, as previously amended and supplemented, pursuant to which the 2014A Bonds were originally issued. Pursuant to the proposed resolution, the Executive Director and the Deputy Director of Finance and Administration (each being hereinafter referred to as an “Authorized Officer”), each acting alone, will be authorized and directed, subject to DOF’s non-objection to or approval of the Oversight Board’s approval, to execute and deliver the Third Supplemental Indenture in substantially the form attached to the OCII Resolution. Any changes to the Third Supplemental Indenture must be approved by an Authorized Officer upon consultation with OCII’s General Counsel and Bond Counsel, and the approval of such additions or changes must be conclusively evidenced by the execution and delivery of the Third Supplemental Indenture by an Authorized Officer. The date, manner of payment, interest rate or rates, interest payment dates, series or subseries designations, denominations, form, registration, privileges, manner of execution, place of payment, terms of redemption and other terms of the 2026C Bonds and 2026D Bonds will be as provided in the Third Supplemental Indenture as finally executed.

The proposed resolution also approves, to the extent the Bonds are issued in one or more series or subseries at different times, the issuance of such other Bonds pursuant to one or more supplemental indentures to the Original Indenture (each an “Additional Supplement”), substantially in the form of the Third Supplement, with such additions thereto or changes therein as are approved by an Authorized Officer upon consultation with the Successor Agency’s General Counsel and Bond Counsel.

Irrevocable Refunding Instructions, and Trustee of the 2014A and 2016BC Bonds

To accomplish the refunding of the 2014A and 2016BC Bonds, the proposed resolution approves Irrevocable Refunding Instructions to be entered into by OCII and U.S. Bank Trust Company, National

Association, as trustee of the 2014A and 2016BC Bonds, in the forms attached as Exhibit D and Exhibit E to the OCII Resolution. The Irrevocable Refunding Instructions provide the mechanics, details, amounts, and dates for the refunding of the 2014A and 2016BC Bonds. Pursuant to the proposed resolution, each Authorized Officer, acting alone, will be authorized and directed, subject to DOF's non-objection to or approval of the Oversight Board's approval, to execute and deliver the Irrevocable Refunding Instructions in said form. Any changes to the Irrevocable Refunding Instructions must be approved by an Authorized Officer upon consultation with OCII's General Counsel and Bond Counsel, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Irrevocable Refunding Instructions by an Authorized Officer.

The proposed resolution authorizes and directs an Authorized Officer, upon consultation with the Successor Agency Counsel and Bond Counsel, to execute and deliver one or more refunding instructions in substantially the form of the Irrevocable Refunding Instructions attached to the OCII Resolution, in the event the 2026 Series D Bonds are issued in more than one financing transaction.

Bond Purchase Contract and Underwriters

The proposed resolution also approves the Bond Purchase Contract to be entered into by OCII, the City and County of San Francisco Redevelopment Financing Authority (the "Financing Authority") and Morgan Stanley & Co. LLC, Stifel, Nicolaus & Company, Incorporated, and Wells Fargo Bank, National Association (collectively, the "Underwriters"), in the form attached as Exhibit F to the OCII Resolution. OCII will sell the Bonds to the Financing Authority, and the Financing Authority will immediately sell the Bonds to the Underwriters; this structure allows the Bonds to be sold on a negotiated basis, which is the most appropriate sale structure for the Bonds.

The Bond Purchase Contract will be entered into on the date the Underwriters make an offer to purchase the 2026C Bonds and 2026D Bonds (commonly referred to as the "pricing date"). On the pricing date, the principal amount, the underwriters' discount, and the coupons and yields of the proposed 2026C Bonds and 2026D Bonds will be determined (see Table 4 below for sequence). All these factors will be finalized at bond pricing and will determine OCII's cost of borrowing, provided they do not exceed the amounts established by the OCII Resolution.

The proposed resolution also authorizes and directs, to the extent the Bonds are issued in one or more series or subseries at different times, each Authorized Officer, without the further approval of the Oversight Board, DOF, or any other person or entity, to execute and deliver one or more additional bond purchase contracts (each an "Additional Purchase Contract"), substantially in the form of the Bond Purchase Contract attached to the OCII Resolution, with such additions thereto or changes therein as are recommended or approved by an Authorized Officer upon consultation with the Successor Agency's General Counsel and Bond Counsel.

The resolution provisions authorizing Additional Supplements, Additional Refunding Instructions and Additional Purchase Contracts allow OCII the flexibility to execute and deliver the documentation required to issue additional series of bonds beyond the 2026C Bonds and 2026D Bonds. This authorization is being sought in the event that one or more projects are delayed or market conditions impact debt service savings, and it becomes beneficial to split the issuance of 2026C Bonds and/or 2026D Bonds into multiple separate bond issuances. If additional series of bonds are issued beyond the 2026C Bonds and 2026D Bonds, all series issued under this authorization would still be subject to their respective not-to-exceed amounts.

Actions Necessary to Complete the Proposed Transaction

The proposed resolution authorizes and directs OCII staff to take all actions necessary to complete the proposed transaction. The table below identifies the critical next steps required to complete the transaction.

Table 4: Next Steps

2026	
January 16	Submission of approved Oversight Board resolution and related documents to DOF for review and approval
March 22	Final date for DOF determination regarding issuance (based on submission date of January 16, plus 65 days)
June 16	After DOF approval, Commission consideration of preliminary official statement and other actions necessary for issuance
August 1	First optional redemption date of 2016BC Bonds
August	Bonds Pricing (timing depends upon market conditions)
September	Bonds Closing (generally 2 to 4 weeks after pricing)

Municipal Advisor’s Analysis

Attached to the OCII Resolution as Exhibit A is an analysis of the potential savings that will accrue to OCII and to applicable taxing entities as a result of the use of the proceeds of the 2026D Bonds to refund the 2014A and 2016BC Bonds (the “Debt Service Savings Analysis”) based on market conditions as of November 3, 2025. The Debt Service Savings Analysis was prepared by Fieldman, Rolapp & Associates, Inc. (OCII's municipal advisor for the 2026C Bonds and 2026D Bonds). The analysis also demonstrates that the 2026C Bonds and 2026D Bonds satisfy the requirements set forth in Section 34177.5(h) of the Health and Safety Code, including that OCII has made diligent efforts to ensure it obtains the lowest long-term cost of financing, and that the proposed bond issuance does not provide for any bullets, spikes or variable interest rates.³

³ A bullet bond is a non-callable bond in which the principal is not paid until the bond matures as opposed to a “serial bond” which amortizes principal over the life of the bond. A “spike” as the name suggests, would be a debt service payment grossly in excess of the bond’s lifetime average.

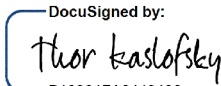
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California Environmental Quality Act

The issuance and sale of the Bonds do not constitute a “project,” as defined under CEQA Guidelines Section 15378(b)(4), because the actions will not independently result in a physical change in the environment and are therefore not subject to environmental review under CEQA.

(Originated by Nick Jones, Debt Manager)

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Thor Kaslotsky
Executive Director