OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0382026-002

Agenda Item **No. 5(e)**
Meeting of July 21, 2026

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Confirming authorization of the issuance of new money and refunding Tax Allocation Bonds for infrastructure in the Mission Bay South Redevelopment Project Area in aggregate principal amounts not to exceed \$48,000,000 and \$170,000,000, respectively, and approving preliminary and final Official Statements, a Continuing Disclosure Certificate and other related documents and actions; Mission Bay South Redevelopment Project Area

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EXECUTIVE SUMMARY

On January 6, 2026, the Successor Agency to the former Redevelopment Agency of the City and County of San Francisco, the Office of Community Investment and Infrastructure ("OCII"), presented certain bond issuances to the Commission to fund infrastructure in the Mission Bay South Redevelopment Project Area ("Mission Bay South") and to achieve interest cost savings by refunding outstanding bonds. The Commission adopted Resolution No. 01-2026 (the "Bond Resolution") approving the issuance of the Successor Agency to the City and County of San Francisco Redevelopment Agency 2026 Series C Tax Allocation Bonds (Mission Bay South Redevelopment Project) in an aggregate principal amount not to exceed \$48,000,000 ("2026C Bonds") and 2026 Series D Tax Allocation Refunding Bonds (Mission Bay South Redevelopment Project) in an aggregate principal amount not to exceed \$170,000,000 ("2026D Bonds" or, together the "2026CD Bonds" or simply the "Bonds"). The proceeds from the Bonds will be used to fund infrastructure in Mission Bay South, achieve cost savings by refunding the outstanding 2014A Bonds and 2016BC Bonds (as hereinafter defined), fund debt service reserve funds, and pay costs related to the issuance of the Bonds.

The Bond issuance was also subject to the approval of the Oversight Board and the California Department of Finance ("DOF"). The Oversight Board, pursuant to Resolution No. 02-2026 adopted on January 12, 2026 (the "Oversight Board Resolution"), approved the issuance of the Bonds, and the Oversight Board Resolution was sent to DOF. By letter dated March 11, 2026, DOF approved the Oversight Board Resolution and the issuance of the Bonds.

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In the Bond Resolution, the Commission directed OCII, with the assistance of Disclosure Counsel, Bond Counsel, the Fiscal Consultant and the Municipal Advisor, to cause to be prepared a form of Official Statement describing the Bonds and containing material information relating to OCII and the Bonds, and provided that the preliminary form would be submitted to the Commission (but not to the Oversight Board) for approval for distribution by the underwriter(s) of the Bonds to persons and institutions interested in purchasing the Bonds. Given the anticipated timing of the issuance of the Bonds, the series designation will be changed from 2026C Bonds to 2026A Bonds and from 2026D Bonds to 2026B Bonds, respectively, or together from 2026CD Bonds to 2026AB Bonds.

The final step in the approval process for the Bonds is for the Commission to adopt a resolution confirming its actions in the Bond Resolution and approving the preliminary and final Official Statements for the Bonds and a Continuing Disclosure Certificate for the Bonds. OCII currently plans to issue the Bonds in October 2026.

Staff recommends the Commission approve the proposed resolution for the purpose, among other matters, of confirming the issuance of the Bonds and approving the preliminary and final Official Statements for the Bonds, as further described therein.

BACKGROUND

OCII and FOCIL-MB, LLC (the “Owner” or “Master Developer”), as assignee of Catellus Development Corporation, are parties to the Mission Bay South Owner Participation Agreement executed November 16, 1998 (as amended from time to time, the “OPA”), which includes Attachment E thereto, “Mission Bay South Financing Plan” (the “Financing Plan”). In connection with the execution of the OPA, and as part of the OPA, OCII is a party to a series of binding agreements regarding the projects to be financed through the OPA, including the Mission Bay South Tax Increment Allocation Pledge Agreement executed November 16, 1998, by and between the City and County of San Francisco and OCII (the “Pledge Agreement”), to which the Owner is an express third-party beneficiary.

The OPA, including the Financing Plan and the Pledge Agreement, contain an irrevocable pledge of property tax increment generated from the Mission Bay South Redevelopment Project Area, formerly tax increment revenues, to the payment of certain infrastructure costs (which are described in the Financing Plan as “Infrastructure Costs”), and OCII is obligated, under the OPA, including the Financing Plan and the Pledge Agreement, to issue bonds or incur other indebtedness secured by an irrevocable pledge of tax increment revenues to pay such Infrastructure Costs.

In 2014, as required under the OPA, the Financing Plan, and the Pledge Agreement, OCII issued its Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series A Tax Allocation Bonds (Mission Bay South Redevelopment Project) (the “2014A Bonds”) to finance certain Infrastructure Costs in Mission Bay South. In 2016, OCII issued 2016 Series B and Series C Tax Allocation Bonds (the “2016BC Bonds”) to finance or refinance certain Infrastructure Costs in Mission Bay South.

The aggregate principal amount not to exceed $48,000,000 of the 2026A Bonds will be used to fund Infrastructure Costs in Mission Bay South, to fund a debt service reserve fund, and to pay costs related to the issuance of the bonds. The funding of infrastructure reimbursements in Mission Bay South is in OCII's Fiscal Year 2026-27 annual budget, expected to be adopted by the Board of Supervisors at its meeting on or around July 28, 2026. In accordance with the OPA, OCII will reimburse the Master Developer, for infrastructure costs in Mission Bay South using the 2026A Bonds proceeds for portions of the following:

- Bayfront Park (P22), an approximately 5-acre waterfront park which was completed and opened to the public in 2024
- Stormwater Pump Station #3 at 4th and Channel Streets, which is currently under construction
- A pedestrian-only publicly accessible block of Bridgeview Way, currently under construction
- P19, a 0.5-acre stormwater treatment park located on the west side of Terry Francois Boulevard between Mission Rock and China Basin Streets, which was completed and opened to the public in the first quarter of 2026
- Mission Bay School play yard, anticipated to open in August 2026
- P2/P8, a 5-acre park located south of Mission Creek, anticipated to begin construction in Fiscal Year 2026–27
- Completed infrastructure and streets, including Blocks 29-34

To achieve cost savings, OCII proposes issuing the 2026B Bonds in an aggregate principal amount not exceeding $170 million to refund the outstanding 2014A and 2016BC Bonds. The refunding reduces future debt service payments but does not create additional funding for infrastructure. The proceeds from the 2026B Bonds will be used to refund the outstanding 2014A and 2016BC Bonds, to fund a debt service reserve fund, to pay costs related to the issuance of the bonds, and to achieve an overall debt service cost savings.

DISCUSSION

Prior Approvals

On April 15, 2025, the Commission approved, by Resolution 04-2025, the OCII Fiscal Year 2025-26 annual budget, which included the issuance of $48 million in Tax Allocation Bonds to fund infrastructure in Mission Bay South. Resolution 04-2025 was subsequently approved by the Board of Supervisors on July 23, 2025, by Board of Supervisors Resolution 321-25.

On January 6, 2026, the Commission adopted the Bond Resolution which authorized the issuance of the Bonds subject to the approval of the Oversight Board and DOF and the satisfaction of other conditions for issuance, most notably compliance with the requirement under the Redevelopment Dissolution Law that the issuance of the 2026B Bonds to refund the 2014A and 2016BC Bonds must result in debt service savings. In accordance with OCII's Debt Policy adopted by the Commission by Resolution 32-2021 on October 5, 2021, the Bond Resolution included a requirement that the net present value savings obtained by issuing the 2026B Bonds, based on the debt service of the 2014A and 2016BC Bonds being refunded, must not be less than 3% of the principal amount of the 2014A and 2016BC Bonds being refunded.

On April 21, 2026, the Commission approved, by Resolution 12-2026, the OCII Fiscal Year 2026-27 annual budget, which included the debt service for the issuance of up to $48 million in Tax Allocation Bonds to fund infrastructure in Mission Bay South.

Proposed Action

With the January 12, 2026 approval from the Oversight Board and the March 11, 2026 approval from DOF, the proposed Commission resolution is the final action to be taken prior to the issuance of the Bonds. As the final step in the approval process of the Bonds, the Commission must confirm its actions in the Bond Resolution, approve a preliminary and final Official Statement and a Continuing Disclosure Certificate for the Bonds.

Estimated Savings Based on Current Market Conditions

Based on market conditions as of June 30, 2026, the Municipal Advisor and OCII staff currently estimate that the refunding of the outstanding 2014A and 2016BC Bonds with proceeds of the 2026B Bonds will result in combined net present value savings of $9.1 million (equivalent to 6.7% of the refunded principal amount of the 2014A and 2016BC Bonds) and thus the requirements for bond refunding under the Redevelopment Dissolution Law and OCII's Debt Policy, which is not less than 3%, will be met if market conditions hold or improve. Savings are generated by reducing OCII's interest cost through refinancing the 2014A and 2016BC Bonds, which are currently paying interest at a rate of 5.0%, with the 2026B Bonds at an All-In True Interest Cost currently estimated at 4.2%. The savings estimate above assumes the refunding bonds are issued in October 2026. Savings are generated over time; the Municipal Advisor and OCII staff currently estimate that the net present value savings is approximately $45,000 per month due to the effect of continuing to pay the 2014A and 2016BC Bonds interest rates of 5.0% as opposed to the 2026B Bonds rate of 4.2%.

The estimated sources and uses based on current market conditions are described below.

Table 1: Sources and Uses of Funds

	2026A	2026B	Total
Bond Principal	37,585,000	121,770,000	**159,355,000**
Premium	2,995,900	9,589,293	**12,585,193**
2014A Reserve	0	5,996,607	**5,996,607**
Total Sources	**$40,580,900**	**$137,355,900**	**$177,936,801**
2026A Project Fund	40,000,000	0	**40,000,000**
2026B Refunding	0	135,472,069	**135,472,069**
Cost of Issuance	218,168	706,832	**925,000**
Underwriters' Fee	99,395	322,025	**421,420**
Bond Insurance	196,869	637,828	**834,697**
Surety Reserve	66,376	215,049	**281,425**
Rounding	92	2,097	**2,189**
Total Uses	**$40,580,900**	**$137,355,900**	**$177,936,801**

Note: numbers in table may not sum to total due to rounding

The actual issuance amount will be finalized in the weeks before the bond issuance and will be based on the then-current market conditions. Said conditions may be materially different than those presented in this report. OCII will not issue the refunding bonds unless and until the standards in Section 34177.5(a) of the Health and Safety Code and OCII's Debt Policy are satisfied. The relevant standards are: (1) debt service savings shall be created (2) the principal amount of the refunding bonds shall not exceed the amount required to defease the refunded bonds, establish customary debt service reserves, and to pay related costs of issuance.

Preliminary Offering Statement and Final Official Statement

In the proposed resolution, the Commission approves the preliminary Official Statement describing the Bonds (the "POS"). The Commission is approving the POS in substantially the form attached to the proposed resolution as Exhibit A together with such changes or additions thereto as the Executive Director, the Deputy Director of Finance and Administration and any of their designees (each being hereinafter referred to as an "Authorized Officer") deems necessary, desirable or appropriate upon consultation with OCII's General Counsel, bond counsel and disclosure counsel, and authorizes an Authorized Officer, acting alone, to deem a preliminary form of the Official Statement final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (the "Rule"), except for omissions permitted therein.

In addition, in the proposed resolution, the Commission approves the distribution of the POS by Morgan Stanley & Co. LLC, Stifel, Nicolaus & Company, Incorporated, and Wells Fargo Bank, National Association (collectively, the "Underwriters"). The proposed resolution further approves the execution by an Authorized Officer, acting alone, of the final Official Statement (the "OS"), which shall include such changes and additions thereto deemed advisable by an Authorized Officer and the addition of such information permitted to be excluded from the POS pursuant to the Rule, and the delivery of the OS to the purchasers of the Bonds, and authorizes the Authorized Officers, each acting alone, to execute and deliver the OS for and on behalf of OCII and to deliver to the Underwriters a certificate with respect to the information set forth therein.

With the assistance of Disclosure Counsel, Bond Counsel, the Fiscal Consultant and the Municipal Advisor, OCII staff have prepared a form of POS describing the Bonds and containing material information relating to OCII and the Bonds. The POS describes the Bonds, their security and sources for payment, associated risk factors, and other pertinent financial matters. The OS is released after the pricing of the Bonds. Except for any updates to reflect 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 OS will be substantially the same as the POS.

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 Bonds. Information is material if 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 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 Bonds, whether relating to their repayment, undisclosed conflicts of interest with interested parties, or otherwise, the Commission 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 asking any questions of staff and other members of the financing team about the POS and the disclosure of such facts.

Security and Sources of Payment

A bond is a financial instrument that enables the issuer to borrow money. Bonds are purchased by investors in exchange for the issuer's promise to repay the principal amount of the bond with interest. When the bond matures, the issuer pays the purchaser back the full amount borrowed from the purchaser, which is known as the principal. The Bonds will be payable from and secured by tax revenues generated in the Mission Bay South Redevelopment Project Area. The Bonds will be on a parity with OCII's 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), as well as any 2014A and 2016BC Bonds that are not refunded by the 2026B Bonds.

Associated Risk Factors

The risk factors described in the POS for the Bonds include reduction in tax base and assessed values, development risks, and risks associated with natural disasters. The risk factors for the Bonds have been updated to account for any changes since OCII last issued Mission Bay South bonds in 2025.

Continuing Disclosure Certificate

In the proposed resolution, the Commission authorizes the Authorized Officers, each acting alone, to execute and deliver a Continuing Disclosure Certificate substantially in the form appended to the final Official Statement. A form of Continuing Disclosure Certificate is appended to the POS. The Continuing Disclosure Certificate describes OCII's contractual obligation to disclose information regarding the Bonds after the Bonds' issuance. The Continuing Disclosure Certificate for the Bonds includes the requirement that OCII disclose all parity debt, the top ten taxpayers and their properties' assessed valuations in the Mission Bay South Redevelopment Project Area, the debt service coverage for the Bonds, and any assessment appeals.

NEXT STEPS

Pending approval of Resolution 18-2026 and savings that satisfy the Redevelopment Dissolution Law and OCII Debt Policy, OCII will prepare materials to market the Bonds to the investor community, and complete the due diligence process. Following these actions, market conditions permitting, OCII expects to price the Bonds in early September and close the Bonds in early October.

(Originated by Nick Jones, Debt Manager)

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