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OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0852026-002

Agenda Item **No. 5(b)**
Meeting of November 13, 2026

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 Replacement Housing Lien Tax Allocation Bonds in an aggregate principal amount not to exceed $180,000,000 previously approved by the Successor Agency Commission, the Oversight Board, and Department of Finance and permitted under Section 34177.7(a)(1)(C) of the California Health and Safety Code, to finance replacement affordable housing

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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 $152 million to fund replacement affordable housing obligations under authority granted to OCII in state legislation, Senate Bill 593 (2023), *codified at* Cal. Health & Safety Code Section 34177.7(a)(1)(C) ("SB593"). If approved, the bonds would be known as the 2027 Series A Taxable Replacement Housing Lien Tax Allocation Bonds (Social Bonds) (the "2027A Bonds") and the 2027 Series B Taxable Replacement Housing Lien Tax Allocation Bonds (Social Bonds) (the "2027B Bonds", and together with the 2027A Bonds, the "Bonds"). As described in OCII's Fiscal Year ("FY") 2026-27 annual budget, staff anticipates using the net proceeds from the Bonds to fund replacement affordable housing (project at Block 4 East B in the Mission Bay South Project Area ("MBS"), and predevelopment costs for the Freedom West and Freedom West Senior projects in the Western Addition Project Area). The Commission previously approved the issuance of the Bonds pursuant to Resolution No. 09-2026, adopted April 21, 2026 (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.

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The Board of Supervisors of the City and County of San Francisco approved the issuance of the Bonds and the subordination, pursuant to Section 34177.7(d) of the California Health and Safety Code, of the City's passthrough payments to the debt service on the Bonds, in connection with its approval of OCII's FY 2026-27 annual budget pursuant to Resolution No. 416-26, on July 21, 2026 (the "Board of Supervisors Resolution"). Except for the action now before the Commission, OCII has received the necessary budget, legislative, and regulatory approvals to issue the Bonds. The next step in the issuance process for the Bonds is for the Commission to adopt a resolution approving the Preliminary and Final Official Statements for the Bonds, as well as a Continuing Disclosure Certificate for the Bonds. The current resolution is the final action required of the Commission in the issuance of the Bonds. Since the prior Commission approval on April 21, 2026, the anticipated issuance date of the Bonds has moved from late 2026 into 2027 due to refined timing of when funds are needed. Additionally, funds for predevelopment are needed by February 2027, whereas funds for the MBS Block 4 East B development are not needed until the California Debt Limit Allocation Committee's financing closing deadline, which is anticipated to occur in late 2027. As a result, OCII plans to issue the Bonds in two separate series at two separate times in 2027. The documents will be revised accordingly to reflect updated 2027 series names for the Bonds. OCII plans to issue the 2027A Bonds in early 2027 and the 2027B Bonds in late 2027.

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

DISCUSSION

Legislative Approvals

The Bonds have received several approvals starting in April and continuing to May 2026, per the below timeline:

1. April 21, 2026 - Commission approved, by Resolution 12-2026, OCII's FY 2026-27 budget, which included the issuance of tax allocation bonds to fund replacement affordable housing projects.
2. April 21, 2026 - Commission authorized, by Resolution No. 09-2026, the issuance of the Bonds and approved an Indenture of Trust and a Bond Purchase Contract.
3. May 11, 2026 - Oversight Board approved, by Resolution 04-2026, the issuance of the Bonds.
4. May 29, 2026 - Department of Finance approved the issuance of the Bonds.

Today's proposed resolution is the final action to be taken by the Commission in connection with the issuance of the Bonds.

Proposed Action

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

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Bond Issuance

The OCII FY 2026-27 budget included the issuance of tax allocation bonds to finance affordable housing projects. Current estimates for sources and uses of the Bonds are described below.

Table 1: Sources and Uses

Sources	**2027A Bonds**	**2027B Bonds**	**Total**
Bond Proceeds	$17,580,000	$134,515,000	$152,095,000
Total Sources	**$17,580,000**	**$134,515,000**	**$152,095,000**
Uses			
Freedom West Predevelopment	10,000,000		10,000,000
MBS Block 4 East B Predevelopment	5,000,000		5,000,000
MBS Block 4 East B Development		120,000,000	120,000,000
Debt Service Reserve Fund	1,577,431	12,050,181	13,627,612
Bond Insurance	178,301	1,342,129	1,520,430
Cost of Issuance	718,012	642,242	1,360,254
Underwriter's Discount	106,256	480,448	586,704
Total Uses	**$17,580,000**	**$134,515,000**	**$152,095,000**

The actual issuance amount will be finalized in the weeks before each bond issuance and will be based on the most up-to-date project costs and market conditions (but will not exceed the previously approved not-to-exceed amount of $180,000,000 in aggregate). OCII will only issue the amount of bonds necessary to fund project costs. The amount of bond funds allocated to each project is estimated based on current information and is subject to finalization at the project level. The Bonds will only fund projects that are consistent with OCII's authority under SB593.

Preliminary Official Statement and Final Official Statement

The Preliminary Official statement ("POS") is an informational disclosure document released prior to the sale of the bonds. Its purpose is to give detailed financial information about the issuer, in this case OCII, and the bond offering. The POS describes the 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 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.

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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 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 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 Projects

The proceeds of the proposed Bonds are programmed for replacement affordable housing funding actions included in the FY 2026-27 budget. Details on the proposed projects that are anticipated to utilize these funds is summarized below.

Table 2: Affordable Housing Project Detail

Location	Name	Units	Stage of Funding
Mission Bay South	Block 4 East B	233	Predevelopment and gap
Western Addition	Freedom West	247	Predevelopment
Western Addition	Freedom West Senior	115	Predevelopment
Total		**595**	

If these projects are delayed or otherwise not ready for funding, OCII may apply the proceeds of the proposed Bonds to other replacement affordable housing projects the Commission has approved in the annual budget to the extent permitted to be financed under Section 34177.7(a)(1)(C) 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 Bonds will be issued against the Redevelopment Property Tax Trust Fund ("RPTTF") Replacement Housing Lien / SB593 credit ("Replacement Housing Lien credit").

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The Replacement Housing Lien credit includes the property tax increment generated by all of the 14 Project Areas. Bonds, including the Bonds, issued against the Replacement Housing 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) other bonds issued by the Successor Agency payable from the funds on deposit in the RPTTF. Under SB593 and Dissolution Law, the Bonds and related obligations are payable solely from redevelopment property tax revenues in the Redevelopment Property Tax Trust Fund that otherwise would have been distributed to the City and County of San Francisco after payment of other required obligations.

Associated Risk Factors

The risk factors described in the POS for the 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 and hazardous substances. The risk factors for the Bonds have been updated to account for changes since OCII last issued bonds.

Other Financial Matters

Following the recommendation of its primary underwriter, Stifel, Nicolaus & Company, Incorporated, OCII intends to self-designate and market the Bonds as "Social Bonds." Social Bonds use the proceeds of the issuance to finance projects with positive social outcomes. As the proceeds of the 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 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 Bonds would be OCII's fourth 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"), the 2023 Series A Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects) (Social Bonds) (the "2023A Bonds"), and the 2025 Series C Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects) (Social Bonds) (the "2025C 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

[1] https://www.un.org/development/desa/disabilities/envision2030.html
[2] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/

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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 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 Bonds includes the requirement that OCII disclose all senior and 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 the proposed resolution, OCII will seek a credit rating for the Bonds, prepare materials to market the Bonds to the investor community, and complete the due diligence process. Following these actions, OCII expects to issue the 2027A Bonds in early 2027 and the 2027B Bonds in late 2027.

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)(C) of the Health and Safety Code, which includes financing replacement affordable housing required under certain enforceable obligations, and to repay these bonds with property tax increment.

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