OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0762016-002

Agenda Item **Nos. 5(c), 5(d) & 5(e)**
Meeting of December 6, 2016

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Authorizing the Issuance of New Money Tax Allocation Bonds, as permitted in Section 34177.7(a)(1)(A) and (B) of the California Health and Safety Code, to Finance (I) Affordable Housing Obligations in an aggregate principal amount not to exceed $112,000,000 and (II) Infrastructure in the Transbay Project Area in an aggregate principal amount not to exceed $50,000,000, approving and directing the execution of an Indenture of Trust and Bond Purchase Contracts, and approving other related documents and actions; Affordable Housing Obligations, Transbay Infrastructure Obligations

Authorizing the Issuance of New Money and Refunding Tax Allocation Bonds in an aggregate principal amount not to exceed $55,000,000, approving and directing the execution of an Indenture of Trust, a Bond Purchase Contract and Redemption Agreements, and approving other related documents and actions, Mission Bay North and Mission Bay South Affordable Housing Obligations

Authorizing a First Amendment to the Personal Services Contract with Urban Analytics, a California limited liability company, for fiscal consultant services to increase the Contract amount by $27,500 for an aggregate amount not to exceed $197,500, to facilitate bond issuances

EXECUTIVE SUMMARY

OCII proposes issuing three series of bonds utilizing two credits, the Mission Bay Housing credit and the credit authorized under special legislation applicable only to OCII (Senate Bill No. 107 (Stats. 2015 ch.325, Section 9), codified at Cal. Health and Safety Code Section 34177.7 ("SB 107"). The bonds issued against SB107 would be issued in two series, $112,000,000 in 2017A to finance Affordable Housing Obligations (Affordable Housing Bonds) and $50,000,000 in 2017B to finance infrastructure in Transbay (Transbay Bonds). The bonds issued against the Mission Bay Housing credit would be a single series of $55,000,000 in 2017C, $28,000,000 in new money to finance Affordable Housing Obligations in Mission Bay and $27,000,000 to refund outstanding Mission Bay housing debt (Mission Bay Housing Bonds).

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Issuing the Affordable Housing Bonds, the Transbay Bonds, and the Mission Bay Housing Bonds requires the Commission to approve three resolutions. Two of the resolutions, Resolution 53-2016 and 54-2016, approve the form of several critical bond documents for each series, approve the underwriter selections, and set forth the financial terms of the bonds. The third resolution, Resolution 55-2016, approves an amendment to the contract between OCII and Urban Analytics for fiscal consultant services. The proposed amendment would modify the Scope of Services to reflect the proposed bond issuances and increase the contract not-to-exceed amount by $27,500 from $170,000 to $197,500. The modifications to the Scope of Service and increase in the contract not-to-exceed amount are necessary to issue the Affordable Housing Bonds, the Transbay Bonds, and the Mission Bay Housing Bonds.

Issuing the Affordable Housing Bonds, the Transbay Bonds, and the Mission Bay Housing Bonds also requires an amendment to the contracts between OCII and the members of the financing team, including Public Financial Management, Kitahata and Company, Jones Hall, and Curls Bartling. These amendments would modify the Scopes of Service and Budgets to reflect the proposed bond issuances but the contract not-to-exceed amounts and term of the contracts would remain the same. As per the Commission's original contract approval, as the changes in the Scopes of Service and the Budgets can be made at the direction of the Executive Director, these changes do not require the Commission to take action.

The proposed bond issuances are planned under the provisions of OCII's Debt Policy, which was last updated on August 19, 2014. Pending Commission approval, staff will seek approval from the Oversight Board and the Department of Finance. Pending approval of these two bodies, the Commission will be required to approve the Preliminary Official Statement before the proposed bonds can be issued. OCII plans to issue the proposed bonds in February 2017.

Staff recommends the Commission approve Resolutions 53-2016, 54-2016, and 55-2016 in support of the Affordable Housing Bonds, Transbay Bonds, and Mission Bay Housing Bonds to fund Affordable Housing Obligations, infrastructure in Transbay, and refund outstanding debt to achieve debt service savings.

CREDIT STRUCTURE

A bond is a financial instrument where the borrower issues a loan in order 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, at a fixed rate, throughout the term of the bond. When the bond matures, the issuer pays the purchaser the original amount borrowed from the purchaser, which is known as the principal. The revenue stream the issuer will draw upon to make interest and principal payments is known as the credit. OCII issues bonds against a number of credits, which are described below.

Cross Collateralized Credit

Prior to the dissolution of redevelopment agencies, the San Francisco Redevelopment Agency issued the majority of its bonds utilizing a cross-collateralized credit, which combined the unpledged property tax increment generated by most Project Areas, creating a large, diverse, and therefore strong credit. However, because Redevelopment Law required that property tax increment generated in a Project Area be expended in the same Project Area, the former Redevelopment Agency utilized the Financing Authority to issue the bonds and enter into loan agreements relating to each Project Area. Section 33334.2(g) of the Health and Safety Code contained an exception for using increment outside of the Project Area from which it was derived, as long as the increment was used to provide low and moderate income housing. Accordingly, each loan agreement contained cross-collateralized provisions that allowed for all debt service relating to housing projects and programs to be paid from any property tax increment of the former Redevelopment Agency, which allowed for the cross-collateralization that was the hallmark of these financings. This credit structure is referred to as the cross-collateralized credit.

RPTTF Credit

After the State dissolution of redevelopment agencies, the cross-collateralized credit has been replaced by the Redevelopment Property Tax Trust Fund (RPTTF) credit (Section 34177.5(g) of the Health and Safety Code). Like the cross-collateralized credit, the RPTTF credit combines the unpledged property tax increment generated by most Project Areas. However, because Redevelopment Dissolution Law eliminated the general requirement of Redevelopment Law that property tax increment generated in a Project Area be expended in the same Project Area, (Section 34177.5(g) of the Health and Safety Code), the RPTTF credit does not utilize the loan structure and authority utilized by the cross-collateralized credit. In 2014, OCII issued 2014B and 2015C against the RPTTF credit.

SB107 Credit

Prior to passage of SB107, the Dissolution Act only allowed Successor Agencies to issue bonds to refund outstanding debt or, as described below with respect to the Mission Bay North and Mission Bay South Project Areas, to issue new money bonds in specialized cases where property tax increment had been irrevocably pledged in an arrangement with a third party. In September 2015, the Governor signed SB107, which added Section 34177.7 of the Health and Safety Code and authorized OCII to issue bonds to finance affordable housing required under enforceable obligations related to the Mission Bay North and Mission Bay South Projects, the Hunters Point Shipyard/Candlestick Point Projects, and certain infrastructure for the Transbay Project, and to repay these bonds with property tax increment. OCII has not yet issued against the SB107 credit but plans to do so in 2017, as described below. The SB107 credit is identical to the RPTTF credit, but is subordinate to the 2014B and 2014C bonds which are secured by the RPTTF credit.

Mission Bay North and Mission Bay South Infrastructure Credits

Post-Dissolution, when issuing Mission Bay Infrastructure debt, OCII has utilized two credits, the Mission Bay North Infrastructure credit and the Mission Bay South Infrastructure credit, both of which are affirmed by Health and Safety Code Section 34177.5(a)(4) and supported by Mission Bay pledged property tax increment which is defined in the Mission Bay North Tax Allocation Agreement and Mission Bay South Tax Allocation Agreement. The Mission Bay North and South Tax Allocation Agreements irrevocably pledge 80 percent of net available property tax increment in Mission Bay North and Mission Bay South, to fund infrastructure obligations in Mission Bay North and South, respectively. Proceeds from bonds issued against the Mission Bay North or Mission Bay South Infrastructure credits are restricted and may only be used to fund infrastructure in Mission Bay North or Mission Bay South, respectively. Bonds issued under the Mission Bay North and Mission Bay South Infrastructure credits are supported by the Mission Bay pledged property tax increment and, should the Mission Bay pledged property tax increment be insufficient to make debt service payments, may also draw up on unpledged property tax increment generated in most other Project.

In the past, bonds issued to fund affordable housing obligations in Mission Bay were issued in the pool with other cross-collateralized loans. However, property tax increment has now grown to a sufficient size that OCII can issue bonds supported only by the Mission Bay pledged increment, which ensures that property tax increment generated in Mission Bay will be spent in furtherance of Mission Bay. In 2014, OCII issued its 2014A bonds against the Mission Bay South Infrastructure credit and in 2016, OCII issued its 2016A bonds against the Mission Bay North Infrastructure credit and its 2016B, 2016C, and 2016D bonds against the Mission Bay South Infrastructure credit.

Mission Bay Housing Credit

Post-Dissolution, when issuing Mission Bay Housing debt, OCII will utilize the Mission Bay Housing credit, which is affirmed by Health and Safety Code Section 34177.7(a)(1)(A) and supported by Mission Bay pledged property tax increment, which is defined in the Mission Bay North Tax Allocation Agreement and Mission Bay South Tax Allocation Agreement. The Mission Bay North and South Tax Allocation Agreements irrevocably pledge 20 percent of net available property tax increment in Mission Bay North and South to fund affordable housing obligations in Mission Bay. Proceeds from bonds issued under the Mission Bay Housing credit are restricted and may only be used to fund affordable housing obligations in Mission Bay. Bonds issued under the Mission Bay Housing credit are supported by the Mission Bay pledged property tax increment and, should the Mission Bay pledged property tax increment be insufficient to make debt service payments, may also draw up on unpledged property tax increment generated in most other Project Areas (Health and Safety Code Section 34177.7).

In the past, bonds issued to fund affordable housing obligations in Mission Bay were issued in the pool with other cross-collateralized loans. However, property tax increment has now grown to a sufficient size that OCII can issue bonds supported only by the Mission Bay pledged increment, which ensures that property tax increment generated in Mission Bay will be spent in furtherance of Mission Bay. OCII has not yet issued against the Mission Bay Housing credit but plans to do so in 2017, as described below.

PROPOSED BOND ISSUANCES

OCII plans to issue four bonds in 2017. As described below, the proposed issuances differ from those named in the FY16-17 budget because OCII proposes to issue against different credits than were originally contemplated in the budget. However, because the total amount of the proposed bonds is the same or less than the total amount authorized in the budget and because the proposed issuances neither increase nor decrease the enforceable obligations, the proposed issuances are consistent with the FY16-17 budget approved by the Commission and the Board of Supervisors.

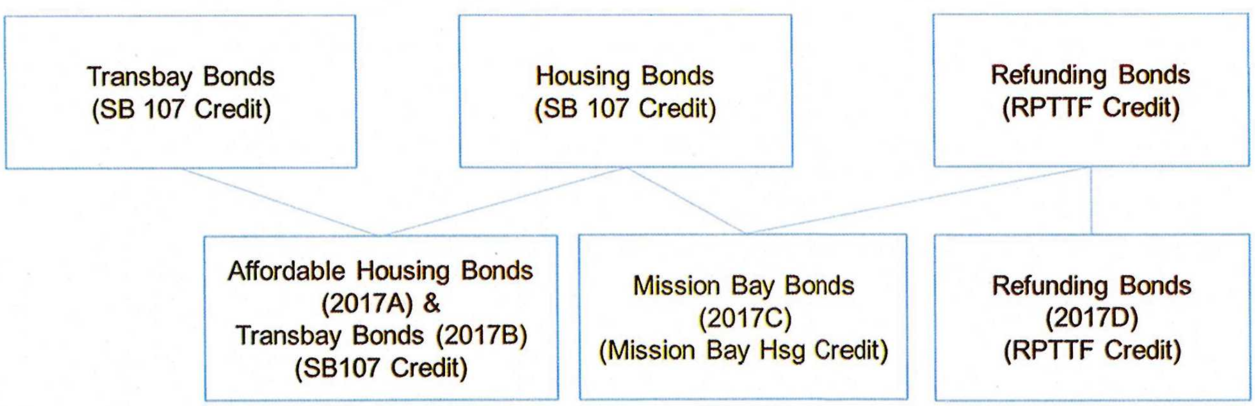
OCII's FY16-17 budget authorizes OCII to issue $185,000,000 in bonds: $103,000,000 to fund Affordable Housing Obligations (Housing Bonds), $37,000,000 to fund infrastructure in Transbay (Transbay Infrastructure Bonds), and $45,000,000 to fund infrastructure in Mission Bay South (Mission Bay South Infrastructure Bonds). In addition, the FY16-17 budget authorizes OCII to issue refunding debt where savings can be achieved. When the Commission approved the budget in April, OCII made assumptions about the credits against which the bonds would be issued, but had not yet fully vetted these assumptions because OCII had not yet engaged a financing team.

The FY16-17 budget assumed that all bonds would be issued against the SB107 credit. However, when the financing team, which is a team of consultants with specialized financial and legal expertise who advise entities on issuing bonds, analyzed the bond issuances authorized by the FY16-17 budget, the team determined that the

Affordable Housing and Transbay Bonds should be issued against the SB107 credit, but that the bonds whose proceeds would be used to fund housing in Mission Bay should be issued against the Mission Bay Housing credit, ensuring that the Mission Bay pledged property tax increment is spent in furtherance of meeting affordable housing obligations in Mission Bay. As shown in the chart below, this new understanding of the credit structure, requires different issuances than those named in the budget.

Based on this new understanding of the credit structure, the financing team recommended that OCII issue Affordable Housing Bonds (2017A), which would be $112,000,000 in new money taxable bonds to finance Affordable Housing Obligations and Transbay Bonds (2017B) which would be $50,000,000 in new money tax-exempt bonds to finance infrastructure in Transbay. As both 2017A and 2017B would be issued against the SB107 credit, they would be issued under a single Official Statement. The financing team also recommended that OCII issue Mission Bay Housing Bonds (2017C), which would be $55,000,000 in taxable bonds, $28,000,000 in new money bonds to finance Affordable Housing Obligations in Mission Bay and $27,000,000 in refunding bonds to refund existing Mission Bay debt, against the Mission Bay Housing credit. Last the financing team recommended that OCII issue a Refunding Bond (2017D) to refund existing housing bonds outside of Mission Bay. The Commission is now considering 2017A, 2017B, 2017C. The Commission will consider issuance of 2017D at a later date.

Exhibit A
Bond Flow Chart



Affordable Housing Bonds (2017A)

As described above, 2017A is $112,000,000 in taxable new money bonds issued against the SB107 credit to finance affordable housing obligations in Hunters Point Shipyard and Candlestick Point. Based on current information on development timing, staff anticipates using the proceeds on the following projects:

<u>Hunters Point Shipyard</u>

Blocks 52/54: 60 units for low-income families

<u>Candlestick Point</u>

Allice Griffith Phase 5:	36 units for public housing replacement and low-income families
Alice Griffith Phase 6:	131 units for low-income families
Candlestick Pt Block 10a:	140 units for low-income families and homeless families
Candlestick Pt Block 11a:	150 units for low-income and homeless families

The bonds will be issued in FY16-17, but the proceeds will be expended in both FY16-17 and FY17-18. OCII expects to issue additional SB107 bonds to fund affordable housing obligations in FY17-18, for expenditure in FY18-19.

Transbay Infrastructure Bonds (2017B)

As described above, 2017B is $50,000,000 in tax-exempt new money bonds issued against the SB107 credit to finance infrastructure in Transbay. Infrastructure improvements include: Folsom streetscape improvements, Essex Park, Transbay Park, and Under-ramp Park. The bonds will be issued in FY16-17, but the proceeds will be expended in FY16-17 and FY17-18. OCII expects to issue additional SB107 bonds to fund infrastructure in Transbay in FY17-18, for expenditure in FY18-19.

Mission Bay Housing Bonds (2017C)

As described above, 2017C is $55,000,000 in taxable bonds issued against the Mission Bay Housing credit. 2017C will contain a $28,000,000 new money component to fund affordable housing obligations in Mission Bay. Based on current information on development timing, staff anticipates using the proceeds on the following projects.

Mission Bay Block 3 East:	119 units for homeless veterans and low-income families
Mission Bay Block 9:	100 units for homeless individuals
Mission Bay Block 4:	101 units for low-income families

The bonds will be issued in FY16-17, but the proceeds will.be expended in FY16-17 and FY 17-18. OCII expects to issue additional Mission Bay Housing Bonds to fund affordable housing obligations in FY17-18, for expenditure in FY18-19.

2017C will also contain a $27,000,000 refunding component to refinance outstanding taxable housing bonds issued prior to Dissolution. The attached Debt Service Savings Analysis prepared by the OCII's financial advisors, PFM and Kitahata & Co., demonstrates that the Refunding Bonds are within the parameters set forth in Section 34177.5(a)(1) of the California Code, specifically: 1) the total repayment amount of the refunding bonds does not exceed that of the refunded bonds; and 2) the principal amount of the refunding bonds is no greater than needed to defease the outstanding bonds, fund debt service reserves and pay costs of issuance.

The final size of the refunding component will depend on market conditions and the economics of each refunding under consideration. As per OCII's debt policy, and consistent with the Redevelopment Dissolution Law, each refunding should achieve an approximate minimum of three percent in net present value savings of par for each refunded bond. Current refunding candidates include 2006A, 2009E, and 2011E. The final size of the refunding may increase or decrease depending on market conditions.

BOND STRUCTURE

The critical financial details for each of the above described bonds are summarized below.

Exhibit B
Financial Details of Proposed Bond Issuances

		Not-to-Exceed Limits in Resolution			
		Par Amount	Project Fund	True Int.	Underwriter's
Bond	Series			Cost	Discount
Affordable Housing Bond	2017A	$ 112,000,000	$ 86,400,000	8%	0.60%
Transbay Bond	2017B	$ 50,000,000	$ 37,000,000	7%	0.60%
Mission Bay Housing Bond	2017C	$ 55,000,000	$ 23,000,000	8%	0.60%

The true interest cost listed above is the real cost of taking on the proposed additional debt. As the true interest cost includes all ancillary fees and costs, the true interest cost is higher than the market interest rate. The underwriter's discount is the difference between the price the underwriter pays the issuer and the price at which it sells the offering to the public and reflects the underwriter's fee for issuing the bonds. The underwriter's discount was established on the advice of OCII's financial advisor, based on current industry practice and to accommodate a reasonable range of market conditions.

UNDERWRITER SELECTION

The underwriter is a critical member of the bond financing team. The underwriter markets, purchases, and sells the bonds. OCII utilized a competitive selection process, administered according to OCII's Purchasing Policy, which authorizes OCII staff to select a Contractor from a City and County of San Francisco (CCSF) panel established using the City's competitive selection process, to make the underwriter recommendations described below.

OCII staff directed Public Financial Management (PFM), the financial advisor for the proposed transactions, to issue a Request for Proposals (RFP) for bond underwriting services. On October 21, 2016, PFM issued the RFP and sent it to the members of the City's underwriter panel, giving the panel members ten business days to respond. PFM received nine responses: Backstrom McCarley Berry & Co. (Backstrom), Blaylock Beal Van, LLC (Blaylock), Citigroup Global Markets, FTN Financial Capital Markets, Mesirow Financial, Inc., Piper Jaffray & Co (Piper), Stern Brothers & Co, Stifel, Nicolaus & Company, Inc., Stinson Securities, LLC (Stinson). A panel that included Bob Gamble of PFM, Jamie Querubin of the City Controller's Office of Public Finance, and John Daigle, OCII Senior Financial Analyst evaluated the proposals on the following criteria: experience in selling California tax allocation bonds, especially since January 1, 2012 (i.e. post dissolution); the number and size of financings in which the firm and the primary service providers participated; the relevance of that experience to the proposed transactions; the depth and quality of the discussion of the structure, credit and marketing of the proposed transactions; and the proposed underwriter's discount. The panel also considered OCII's Local Business Enterprise and Small Business Enterprise contracting goals.

The panel recommended one senior manager and two co-managers for the Affordable Housing (2017A) and Transbay Bonds (2017B). Based on its dominant position in the sale of post-dissolution redevelopment debt, as well as its prior experience with OCII issuances, the panel recommended Stifel as senior manager. Based on its prior performance working on OCII issuances and its broad market experience, the panel recommended Backstrom as co-manager. Pursuant to OCII's SBE and LBE policy goals, the panel also recommended Stinson as co-manager. Stinson has provided OCII satisfactory service as a co-manager in the past year and, of firms in the SBE category, was ranked highest by the panel.

The panel recommended one senior manager and one co-manager for the Mission Bay Housing Bonds (2017C). Based on its experience with similar credits, as well as its experience with prior OCII issuances, the panel recommended Piper as the senior manager. Pursuant to OCII's SBE and LBE policy goals, the panel recommended Stinson as co-manager. As stated above, Stinson has provided OCII satisfactory service as co-manager in the past year and, of firms in the SBE category, was ranked highest by the panel.

PROPOSED ACTION

Approving the above described bond issuances requires the Commission approve the following two resolutions.

Resolution 44-2016 authorizes the issuance of the $112,000,000 Affordable Housing Bonds (2017A) and $50,000,000 Transbay Infrastructure Bonds (2017B). In support of these issuances, the Resolution approves the indenture of trust and the bond purchase agreements. An indenture of trust is a written agreement between the issuer of a bond and the bondholders that specifies the terms of the bond, including the interest rate and maturity date. A bond purchase agreement is a written agreement between the issuer and the underwriter that establishes the terms of the bond sale, including sale price, bond interest rate, bond maturity, and redemption provisions. Both the indenture of trust and the bond purchase agreements are required for Oversight Board and Department of Finance review. The resolution also affirms the selection of underwriters for the bonds.

Resolution 45-2016 authorizes the issuance of the $50,000,000 Mission Bay Housing Bonds (2017C). Like Resolution 44-2016, Resolution 45-2016 approves the indenture of trust and the bond purchase agreements and affirms the underwriter selection. In addition, because the Mission Bay Housing Bonds (2017C) include a refunding component, Resolution 45-2016 also approves the Redemption Agreements. The Redemption Agreement defines the terms under which each bond can be refunded.

Staff recommends the Commission approve Resolutions 53-2016 and 54-2016 in support of the Affordable Housing Bonds, Transbay Bonds, and Mission Bay Housing Bonds to fund Affordable Housing Obligations, infrastructure in Transbay, and refund outstanding debt to achieve debt service savings.

FISCAL CONSULTANT CONTRACT AMENDMENT

The fiscal consultant is a critical member of the bond financing team. The fiscal consultant assembles and prepares the Fiscal Consultant's Report, which is one of the components of the Official Statement. The Official Statement is the prospectus for the bond issuance and discloses the finances surrounding the issue of the bond and identifies how the bond will be repaid. Post-issuance, the Financial Consultant prepares Securities and Exchange (SEC)-mandated continuing annual disclosure reports for each credit against which bonds have been issued.

On October 23, 2015, OCII staff issued to the City's panel of qualified fiscal consultants, a RFP for fiscal consultant services for a Mission Bay North refunding bond (2016A), a Mission Bay South new money infrastructure bond (2016B), a Mission Bay South refunding infrastructure bond (2016C), a Mission Bay South new money subordinate infrastructure bond (2016D), and a housing bond, issued against the SB107 credit, as well as the related SEC-mandated continuing annual disclosures, and additional as-needed bond-related tax work. On December 15, 2015, the Commission passed Resolution 80-2015, which approved Urban Analytics as the fiscal consultant for the above mentioned Scope of Service.

OCII has issued 2016A, 2016B, 2016C, and 2016D, but has not issued the housing bond. As described above, instead of issuing a single housing bond against the SB107 credit, OCII now proposes to issue Affordable Housing Bonds (2017A) against the SB107 credit and Mission Bay Housing Bonds (2017C) against the Mission Bay Housing credit. In addition, OCII proposes to issue a bond to fund infrastructure in Transbay (2017B) and a bond to refund existing housing debt outside Mission Bay (2017D).

As these proposed issuances differ from the bonds OCII planned to issue when the Commission approved the contract with Urban Analytics in December 2015, OCII's contract with Urban Analytics must be amended. The proposed amendment would modify the Scope of Service to replace preparation of Fiscal Consultant Reports for all unissued bonds with preparation of Fiscal Consultant Reports for the Affordable Housing and Transbay Bonds, the Mission Bay Housing Bonds, and any Refunding Bonds. The proposed amendment would also modify the Scope of Service to replace preparation of SEC-mandated continuing annual disclosures for all unissued bonds with preparation of SEC-mandated continuing annual disclosures for the bonds being considered today. This modified Scope of Service would result in a $27,500 increase, which increases the contract not-to-exceed amount from $170,000 to $197,000. The contract budget, as amended, is reflected in Exhibit C.

Exhibit C
Urban Analytics Budget, As Amended

Fiscal Consultant's Report (FCR)	
Mission Bay North 2016A (complete)	$ 25,000
Mission Bay South 2016B & 2016C (complete)	$ 25,000
Mission Bay South 2016D (complete)	$ 25,000
SB107 Bonds: Affordable Housing Obligations 2017A & Transbay Infrastructure 2017B	$ 25,000
Mission Bay Bonds: New for Affordable Housing Obligations and Refunding Existing Mission Bay Debt 2017C	$ 25,000
Refunding Bonds 2017D	$ 25,000
Fiscal Consultant Report Subtotal	**$ 150,000**
Continuing Annual Disclosure Reports	
Continuing Annual Disclosure Reports (4x3 years @$2,500 each)	$ 30,000
Continuing Annual Disclosure Reports (2x2 years @$2,500 each)	$ 10,000
Continuing Annual Disclosure Report Subtotal	**$ 40,000**
Additional Bond-Related Work	**$ 7,500**
Total	**$ 197,500**

PROPOSED ACTION

Resolution 55-2016 authorizes a first amendment to the personal services contract with Urban Analytics, to expand the Scope of Service to include preparation of Fiscal Consultant Reports and SEC-mandated annual continuous disclosure filings for the Affordable Housing, Transbay, Mission Bay Housing Bonds and Refunding Bonds. Increasing the Scope of Service requires a $27,500 increase to the contract, increasing the total contract not-to-exceed amount from $170,000 to $197,500.

Staff recommends the Commission approve Resolution 55-2016 in support of the Affordable Housing Bonds, Transbay Bonds, Mission Bay Housing Bonds, and Refunding Bonds to fund Affordable Housing Obligations, infrastructure in Transbay and refund outstanding debt to achieve debt service savings.

FINANCING TEAM CONTRACTS

The underwriter and the fiscal consultant are only two of the members of the financing team. The financing team also includes a financial advisor ("FA") who oversees the financing process and opines on the pricing, bond counsel, who ensures and opines that all required steps are taken to ensure the bonds are compliant with legal and regulatory requirements, and disclosure counsel, who drafts and guides the content of the disclosure document used in marketing the bonds.

Issuing the Affordable Housing, Transbay Infrastructure Bonds, and Mission Bay Housing Bonds rather than the bonds OCII planned to issue when the Commission approved the contracts for the FA, bond counsel, and disclosure counsel requires amending the contracts to revise the Scope of Services and the Budgets. None of these revisions require an increase in the contract not-to-exceed amount or an extension of the contract term. As per the Commission's original approval, the changes to the Scope of Services and the Budgets can be made at the direction of the Executive Director; therefore, the Commission is not required to take action. These changes are summarized below.

Financial Advisor

On July 18, 2016, OCII staff issued an RFP for financial advisor (FA) services to the City's panel of qualified municipal financial advisory firms. On October 4, 2015, the Commission approved Resolutions 45-2016 and 46-2016 which approved Public Financial Management (PFM) as lead FA and Kitahata and Company (Kitahata) co-FA, for the Housing Bonds and the Transbay Bonds. As OCII is no longer issuing the planned Housing Bonds, but is instead issuing the Affordable Housing Bonds (2017A) and the Mission Bay Housing Bonds (2017C), OCII's contracts with PFM and Kitahata must be amended to reflect this change in the Scope of Service and to revise the Budget accordingly. The changes in the Scopes of Service are reflected in below.

Exhibit D
Changes to Financial Advisors' Scopes of Service

Bond Issuance @ Time of Contract		
Scope of Service	**FA**	**Co-FA**
Housing	PFM	Kitahata
Transbay	PFM	Kitahata
Refunding	CSG	NA

Proposed Issuances		
Revised Scope of Service	**FA**	**Co-FA**
2017A: Affordable Housing	PFM	Kitahata
2017B: Transbay	PFM	Kitahata
2017C: Mission Bay Housing	PFM	NA

The changes in the Budgets are reflected below.

Exhibit E
Changes to Financial Advisors' Budgets

PFM							
Existing Budget			**Revised Budget**				**Diff**
Housing	$	127,000	Affordable Housing and Transbay (2017A & 2017B)	$	76,000	$	(51,000)
Transbay	$	63,000	Mission Bay Housing (2017C)	$	66,000	$	3,000
Refunding			Refunding (2017D)				
Contingency	$	36,000	Contingency	$	84,000	$	48,000
Max	**$**	**226,000**		**$**	**226,000**	**$**	**-**

Kitahata							
Existing Budget			**Revised Budget**				**Diff**
Housing	$	43,200	Affordable Housing and Transbay (2017A & 2017B)	$	30,200	$	(13,000)
Transbay	$	23,760	Mission Bay Housing (2017C)	$	20,000	$	(3,760)
Refunding			Refunding (2017D)			$	-
Contingency	$	13,000	Contingency	$	29,760	$	16,760
Max	**$**	**79,960**		**$**	**79,960**	**$**	**-**

Staff will present changes to the contract for financial advisor services with CSG, who is assigned to the Refunding Bonds (2017D), concomitant with the issuance of the 2017D bonds.

Bond and Disclosure Counsel

On February 25, 2016, OCII staff issued an RFP to the City's panel of qualified bond and disclosure counsels for bond and disclosure counsel services. On August 2, 2015, the Commission approved Resolutions 37-2016 and

38-2016 which approved Erica Curls Bartling and Jones Hall as disclosure counsel and bond counsel, respectively, for both the Transbay Bonds and the Housing Bonds. As OCII is no longer issuing the Housing Bonds, but is instead issuing Affordable Housing Bonds (2017A) and Mission Bay Housing Bonds (2017C), OCII's contracts with Curls Bartling and Jones Hall must be amended to reflect this change in the Scopes of Service and to revise the Budgets accordingly. The changes in Scope of Service are reflected below.

Exhibit F
Changes to Bond and Disclosure Counsels' Scopes of Service

Bond Issuance @ Time of Contract		
Scope of Service	**Bond Counsel**	**Disclosure Counsel**
Housing	Jones Hall	Curls Bartling
Transbay	Jones Hall	Chiu
Refunding	Jones Hall	Curls Bartling

Proposed Issuances		
Revised Scope of Service	**Bond Counsel**	**Disclosure Counsel**
2017A: Affordable Housing	Jones Hall	Curls Bartling
2017B: Transbay	Jones Hall	Curls Bartling
2017C: Mission Bay Housing	Jones Hall	Curls Bartling

The changes in the Budgets are reflected below.

Exhibit G
Changes to Bond and Disclosure Counsels' Budgets

Jones Hall							
Existing Budget			**Revised Budget**			**Diff**	
Housing	$	48,000	Affordable Housing and Transbay (2017A & 2017B)	$	83,000	$	35,000
Transbay	$	68,000	Mission Bay Housing (2017C)	$	58,000	$	(10,000)
Refunding	$	58,000	Refunding (2017D)	$	58,000	$	-
Contingency	$	33,000	Contingency	$	8,000	$	(25,000)
Max	**$**	**207,000**		**$**	**207,000**	**$**	**-**

Curls Bartling							
Existing Budget			**Revised Budget**			**Diff**	
Housing	$	40,500	Affordable Housing and Transbay (2017A & 2017B)	$	50,000	$	9,500
Transbay			Mission Bay Housing (2017C)	$	45,000	$	45,000
Refunding	$	44,500	Refunding (2017D)			$	(44,500)
Contingency	$	16,800	Contingency	$	6,800	$	(10,000)
Max	**$**	**101,800**		**$**	**101,800**	**$**	**-**

The Commission will consider changes to the contract for disclosure counsel services with Alexis Chiu, who is now assigned to the Refunding Bonds (2017D), concomitant with the issuance of the 2017D bonds. Consistent with the existing contract, Alexis Chiu will participate in all discussions regarding the SB107 and Mission Bay Housing credits and will be compensated for this participation on an hourly basis.

NEXT STEPS

Pending approval of the above described Resolutions, next steps are:

Month	Date	Action
December	12	Consideration by Oversight Board
December	12	Submission of documents to California Department of Finance
February	21	Consideration by Commission of issuance, related staff action and transaction documents, including preliminary offering statements
February	21	Consideration by City and County of San Francisco Redevelopment Financing Authority
February	TBD	Bond pricing
March	TBD	Bond closing

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 Bree Mawhorter, Deputy Director Finance and Administration)

Tiffany Bohee
Executive Director