



107-0782026-002

Agenda Item **No. 5(b)**
Meeting of October 6, 2026

MEMORANDUM

TO: Office of Community Investment and Infrastructure Commissioners

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Authorizing the issuance of refunding Tax Allocation Bonds related to the prior financing of Mission Bay North infrastructure in an aggregate principal amount not to exceed \$70,000,000, and approving and directing the execution of an Indenture of Trust, a Bond Purchase Contract and Irrevocable Refunding Instructions, and approval of other related documents and actions; Mission Bay North Redevelopment Project Area

EXECUTIVE SUMMARY

In 2016, the Office of Community Investment and Infrastructure (“OCII”) issued Series A Tax Allocation Refunding Bonds for the Mission Bay North Redevelopment Project Area (the “2016A Bonds”). Because the 2016A Bonds reached their call date on August 1, 2026 – the contractually specific date on and after which the issuer has the legal right to pay off the debt early – OCII is able to pursue a refunding to achieve debt service savings. OCII proposes issuing refunding bonds in an aggregate principal amount not exceeding \$70 million to refund the outstanding 2016A 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 2027 Series A Tax Allocation Refunding Bonds (Mission Bay North Redevelopment Project) (the “2027A Bonds”, or simply the “Bonds”). The proceeds from the 2027A Bonds will be used to refund the outstanding 2016A Bonds, to fund a debt service reserve fund, and to pay costs related to the issuance of the 2027A Bonds. The 2027A Bonds are being issued to achieve an overall debt service cost savings.

To issue the 2027A Bonds, the Commission must take the following actions:

- Adopt the proposed resolution authorizing the issuance of the 2027A Bonds
- Approve and direct the execution of:
 1. Indenture of Trust
 2. Irrevocable Refunding Instructions
 3. Bond Purchase Contract

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- Authorize and direct OCII staff to take all actions necessary to complete the issuance of the 2027A Bonds, including issuing multiple series of Bonds if necessary to maximize refunding savings

After Commission approval, OCII staff will request the Oversight Board review and approve the issuance of the 2027A Bonds. After Oversight Board approval, staff will submit the Oversight Board resolution to the California Department of Finance (“DOF”) for its review. If DOF declines to review or approves the issuance, OCII staff will return to the Commission for approval of an official statement for the 2027A Bonds prior to sale.

Staff recommends the Commission authorize the issuance of the Bonds, approve the primary documents, and authorize any necessary staff actions.

DISCUSSION

In 2016, OCII issued the 2016A Bonds. Because the 2016A Bonds reached their call date on August 1, 2026 – the contractually specific date on and after which the issuer has the legal right to pay off the debt early – OCII is able to pursue a refunding to achieve debt service savings. OCII plans to issue up to \$70 million in principal amount of the refunding Bonds (the refunding does not create additional funding). Refunding of bonds does not require new approvals by budget resolution. The existing bonds provide the authority for the refunding. The proposed resolution authorizes OCII to issue up to \$70 million principal amount of the refunding Bonds.

The not-to-exceed amount is a maximum that includes a conservative budget and a contingency of approximately 5-10% 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	Amount
Bond Proceeds	\$65,356,983
~5-10% Contingency	4,643,017
Total Sources	\$70,000,000
Uses	
Refunding of 2016A Bonds Principal Amount	56,580,000
Refunding of 2016A Bonds Semiannual Interest at 5%	1,414,500
Debt Service Reserve Fund: Cash Deposit at 10%	6,535,698
Cost of Issuance	500,000
Underwriters' Discount at 0.5%	326,785
~5-10% Contingency	4,643,017
Total Uses	\$70,000,000

The 2027A Bonds are expected to be issued on a tax-exempt basis. The actual principal amount of the 2027A Bonds will be finalized in the weeks before the issuance and will be based on market conditions, with the 2027A Bonds structured to achieve an overall cost savings. OCII will only issue the amount of 2027A Bonds necessary to refund the 2016A Bonds, fund a debt service reserve fund (in cash or through the purchase of a reserve insurance policy), and pay related costs of issuance (which may include a bond insurance premium). The proposed resolution authorizes the issuance of multiple series of Bonds if necessary to maximize refunding savings. Estimates for sources and uses based on current market conditions and costs are described below.

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

Sources	Amount
Bond Proceeds	\$54,250,947
Debt Service Fund Release	3,769,500
Total Sources	\$58,020,447
Uses	
Refunding of 2016A Bonds	56,949,342
Bond Insurance Policy	253,663
Debt Service Reserve Fund: Reserve Surety Policy	64,853
Cost of Issuance	500,789
Underwriters' Discount	251,800
Total Uses	\$58,020,447

The components of the Total Uses are defined below:

1. *Refunding Proceeds*: Used to refund the outstanding 2016A Bonds.
2. *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.
3. *Cost of Issuance*: The cost of the bond issuance process. Mostly costs for documents, reports and analysis by consultants, such as bond counsel, disclosure counsel, municipal advisor, and the property tax fiscal consultant, as well as the cost of OCII staff time required to issue the bonds.
4. *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.

5. *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.

An OCII bond financing team typically consists of a Municipal Advisor, Bond Counsel, Disclosure Counsel, and Fiscal Consultant ("Financing Team"). Issuing bonds is a technical process that requires specialized knowledge. As such, to issue bonds, OCII must procure the services of a Financing Team with the appropriate knowledge and skills. The roles of each of the Financing Team members are described below.

1. *Municipal Advisor*: Is a specialist in public finance and advises OCII on the structure of the bond transaction, ensuring that OCII issues bonds at the least possible cost with the lowest possible risk. Dissolution Law requires that OCII hire a Municipal Advisor when issuing bonds.
2. *Bond Counsel*: Is responsible for drafting the bond documents, which are contracts between OCII, the investors, and the financial institutions involved in the bond issuance, ensuring the bond issuance is consistent with public finance laws, including federal tax law and Dissolution Law, and providing legal opinions on those matters.
3. *Disclosure Counsel*: Is responsible for drafting the official statement, which is a summary of the terms of the bond issuance and presents investors with the relevant financial, project, and risk information.
4. *Fiscal Consultant*: Has specialized knowledge of the revenue base supporting the bonds and provides a revenue analysis that determines OCII's bonding capacity, which is the amount of bonds OCII has sufficient revenue to issue and repay.

The Commission previously approved contracts with the members of the Financing Team at its meeting of July 21, 2026, by Resolution Nos. 15-2026, 16-2026, and 17-2026.

The proposed resolution authorizes OCII to issue refunding Bonds in an amount up to \$70 million. The actual issuance amount will be finalized in the weeks before the bond issuance and will be based on the most up-to-date market conditions. OCII will only issue the amount of bonds necessary to refund existing bonds. 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 July 27, 2026, is presented below:

Table 3: 2027A Bonds – Refunding Savings

Bond Year Ending 8/1	2016A Refunded Debt Service	2027A Refunding Debt Service	Savings
2028	5,191,250	5,188,261	2,989
2029	5,182,250	5,176,000	6,250
2030	5,182,500	5,173,750	8,750
2031	5,186,250	5,174,750	11,500
2032	5,183,000	5,178,500	4,500
2033	5,182,750	5,174,500	8,250
2034	5,185,000	5,177,750	7,250
2035	5,179,250	5,177,500	1,750
2036	5,420,500	5,173,500	247,000
2037	5,991,000	5,175,500	815,500
2038	5,988,250	5,177,750	810,500
2039	5,994,000	5,174,750	819,250
2040	6,477,250	5,176,250	1,301,000
2041	6,478,500	5,176,500	1,302,000
Total	\$77,821,750	\$72,475,261	\$5,346,489

Enabling Authority

The Bonds would be issued pursuant to Section 34177.5(a)(1) of the California Health and Safety Code; the 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 Bonds, the Commission must approve a resolution authorizing the proposed issuance, approving and directing the execution of the Indenture of Trust, Irrevocable Refunding Instructions, and a Bond Purchase Contract, and authorizing and directing OCII staff to take all actions necessary to complete the proposed issuance of the Bonds.

Proposed Issuance

OCII proposes to issue one series of tax-exempt Tax Allocation Bonds: refunding 2027A Bonds in a principal amount not to exceed \$70 million. These Bonds will be secured by property tax revenues generated from the Mission Bay North Redevelopment Project Area, on a parity and on equal priority for payment with any outstanding 2016 Series A Bonds that are not refunded by the Bonds. The Bonds will be issued in accordance with the provisions of the Successor Agency's debt policy (the "Debt Policy"), adopted by Resolution 32-2021 of the Commission on October 5, 2021.

The resolution authorizes the issuance of multiple series of Bonds if necessary to maximize refunding savings.

Bond Documents

Indenture and Trustee

The proposed resolution approves the Indenture of Trust ("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 proposed resolution. 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 the Oversight Board's approval and DOF's non-objection to or approval of the Oversight Board's approval, to execute and deliver the Indenture in substantially the form attached to the proposed resolution. Any changes to the 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 will be conclusively evidenced by the execution and delivery of the 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 2027A Bonds will be as provided in the 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"), 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 2016A Bonds

To accomplish the refunding of the 2016A 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 2016A Bonds, in the form attached as Exhibit D to the proposed resolution. The Irrevocable Refunding Instructions provide the mechanics, details, amounts, and dates for the refunding of the 2016A Bonds. Pursuant to the proposed resolution, each Authorized Officer, acting alone, will be authorized and directed, subject to the Oversight Board's approval and 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 will 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 proposed resolution ("Additional Refunding Instructions"), in the event the Bonds are issued in more than one financing transaction.

Bond Purchase Contract and Underwriters

The proposed resolution approves the Bond Purchase Contract to be entered into by OCII and one or more underwriters to be selected following a competitive selection process (collectively, the “Underwriters”), in the form attached as Exhibit E to the proposed resolution.

The Bond Purchase Contract will be entered into on the date the Underwriters make an offer to purchase the 2027A 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 2027A 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 proposed 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 proposed 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 2027A Bonds. This authorization is being sought in the event that market conditions impact debt service savings, and it becomes beneficial to split the issuance of Bonds into multiple separate bond issuances. If additional series of bonds are issued beyond the 2027A Bonds, all series issued under this authorization would still be subject to the 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	
October 28	Oversight Board consideration of Commission resolution
October 29	Submission of approved Oversight Board resolution and related documents to DOF for review and approval
2027	
January 2	Final date for DOF determination regarding issuance (based on submission date of October 29, plus 65 days)
February 2	After DOF approval, Commission consideration of preliminary official statement, underwriter selection, and other actions necessary for issuance
February	Bonds Pricing (timing depends upon market conditions)
March	Bonds Closing (generally 2 to 4 weeks after pricing)

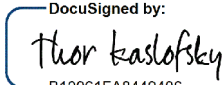
Municipal Advisor's Analysis

Attached to the proposed 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 2027A Bonds to refund the 2016A Bonds (the "Debt Service Savings Analysis") based on market conditions as of July 27, 2026. The Debt Service Savings Analysis was prepared by Fieldman, Rolapp & Associates, Inc. (OCII's municipal advisor for the Bonds). The analysis also demonstrates that the 2027A 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.¹

California Environmental Quality Act

The issuance and sale of the Bonds do not constitute a "project," as defined under the California Environmental Quality Act ("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 Kaslofsky
 Executive Director

¹ A "bullet bond" is a non-callable bond structure in which no principal is paid until the bond issuance fully matures, as opposed to a "serial bond" structure which amortizes principal over the life of the bond issuance. A "spike" as the name suggests, would be a debt service payment grossly in excess of the bond's lifetime average.