OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-1132017-002

Commission Agenda Item No.: **5 (g)**
Financing Authority Agenda Item No.: **5 (b)**
Meeting of October 17, 2017

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners
City and County of San Francisco Redevelopment Financing Authority Directors

FROM: Nadia Sesay, Executive Director

SUBJECT: **Commission:** Confirming the issuance of taxable and tax-exempt refunding tax allocation bonds captioned 2017 Series D Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) in an aggregate principal amount not to exceed $158,000,000 and 2017 Series E Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) in an aggregate principal amount not to exceed $27,000,000, approving preliminary and final official statements and a continuing disclosure certificate, and approval of other related documents and actions; various project areas

Financing Authority: Approving the refunding of certain bonds of the Redevelopment Agency of the City and County of San Francisco and authorizing the execution and delivery of redemption agreements relating to certain bonds previously issued by the City and County of San Francisco Financing Authority; and authorizing and approving other matters properly relating thereto (various project areas)

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EXECUTIVE SUMMARY

Staff requests the OCII Commission ("Commission") and City and County of San Francisco Financing Authority ("Financing Authority") approve the attached resolutions, which authorize documents and actions necessary to issue the tax-exempt 2017 Series D Subordinate Tax Allocation Refunding Bonds and taxable 2017 Series E Subordinate Tax Allocation Refunding Bonds ("2017D" and "2017E," respectively), as authorized by the OCII Commission on June 20, 2017 (Resolution 24-2017) and approved by the Oversight Board on July 10, 2017 (Resolution 2-2017). The Department of Finance approved the Oversight Board's Resolution 2-2017 on September 11, 2017.

The proceeds of the 2017D and 2017E Bonds will refund existing bond obligations to take advantage of low interest rates and reduce future debt service costs. Costs of issuance are funded by bond proceeds.

OCII debt policy states that a bond refunding should produce a minimum net present value savings of at least 3 percent of the par value of the refunded bonds, absent any significant non-economic factors. The 2017D and 2017E Refunding Bonds will comply with OCII debt policy. Current estimates project net present value savings of $23.1 million (20 percent) for 2017D and $4.3 million (19.4 percent) for 2017E.

The Commission Resolution makes findings, confirms actions taken in Resolution 24-2017, approves the Preliminary Official Statement and the form of other key transaction documents, and authorizes OCII staff to take all actions necessary to complete the transactions. The Financing Authority Resolution approves the redemption agreements, authorizes the dissemination of the Preliminary Official Statement and Official Statement, and authorizes all other actions by OCII staff necessary to complete the transactions. These resolutions comprise the final Commission and Financing Authority actions necessary to issue the 2017D and 2017E bonds.

As the distribution of the Preliminary Official Statement by OCII is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, OCII may have liability for material misstatements and omissions in this document. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the 2017D and 2017E Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2017D and 2017E Bonds. If a member of the Commission has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the 2017D and 2017E Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement.

Staff recommends the Commission approve Resolution 43-2017, which is the final Commission action necessary for OCII to issue bond series 2017D and 2017E. Staff recommends the Financing Authority approve Resolution 3-2017, which is the only Financing Authority action necessary for OCII to issue bond series 2017D and 2017E to refund certain existing loan obligations of OCII, and thereafter, refund certain bonds previously issued by the Financing Authority.

DISCUSSION

Commission Resolution 43-2017 and Financing Authority Resolution 3-2017 are the final Commission and Financing Authority actions necessary for OCII to issue the 2017D and 2017E Bonds. These issuances were initially authorized by the OCII Commission on June 30, 2017 by Resolution 24-2017 (Attachment A, without Exhibits), by the Oversight Board on July 10, 2017 (Resolution 2-2017, Attachment B), and approved by the Department of Finance on September 11, 2017 (Attachment C).

The attached Commission Memorandum from June 20, 2017 (Attachment D) contains further transaction details.

PROPOSED ACTION

OCII proposes to issue two series of bonds, tax-exempt 2017 Series D Subordinate Tax Allocation Refunding Bonds and taxable 2017 Series E Subordinate Tax Allocation Refunding Bonds. 2017D will refund up to five taxable bond series, including 2009A, 2009B, 2009E, 2010A, and 2011A. 2017E will refund up to two tax-exempt bond series, including 2009F and 2011B. Actual bonds refunded will depend upon market conditions at the time of the sale.

The issuance of 2017D and 2017E requires action by both the Commission and the Financing Authority.

Proposed OCII Commission Actions

OCII staff request that the Commission confirm the issuance of refunding bonds initially approved under Resolution 24-2017, approve the Preliminary and Final Official Statement, a continuing disclosure certificate, and other related documents and actions necessary to issue 2017D and 2017E.

The Preliminary Official Statement ("POS"), included as Exhibit D to Commission Resolution 43-2017, provides to potential investors all material information regarding the revenues pledged to pay debt service on the bonds. The POS is drafted by OCII's disclosure counsel, based on information provided by OCII's staff, bond counsel, and fiscal consultant. The document is reviewed extensively by all members of the financing team, including the bond underwriters and their counsel. The POS provides historical information about OCII pledge tax increment and debt service requirements, general information about OCII, its history, legal environment and project areas, and discloses all known risk factors that may affect future pledged revenues. The POS also includes OCII's most recent audited financial statements. The POS is distributed to prospective investors as required by Securities and Exchange Commission regulations. After the pricing of the bonds, disclosure counsel will prepare a final Official Statement ("OS") incorporating the interest rates and debt service schedules. The final OS is delivered to purchasers of the bonds.

As the distribution of the POS by OCII is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934, OCII may have liability for material misstatements and omissions in this document. These laws require the POS to include all facts that would be material to an investor in the 2017D and 2017E Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2017D and 2017E Bonds. If a member of the Commission has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the 2017D and 2017E Bonds, whether relating to their repayment, tax-exempt status, 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 Continuing Disclosure Certificate is an SEC mandated contract between the issuer and bond underwriter. It establishes the issuer's obligation to publish certain information relevant to the security of the bonds. OCII will publish the required information annually, or as specified material events arise, on EMMA, the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System. The required annual report includes many of the key tables in OS as well as OCII's audited annual financial statements.

Proposed Financing Authority Actions

OCII staff request that the Financing Authority approve the redemption agreements, authorize the execution and delivery of the Official Statement and authorize all staff actions necessary to complete the 2017D and 2017E refundings.

The Financing Authority was created by a joint exercise of powers agreement between the City and County of San Francisco and the former San Francisco Redevelopment Agency ("SFRA") on July 11, 1989. At its inception, the Financing Authority was governed by a Board of Directors that consisted of the members of the SFRA

Commission. Its primary purpose was to facilitate financings for the SFRA. Under Redevelopment Dissolution Law, the Successor Agency stepped into the role of the SFRA. Consequently, the members of the Commission now act as the Board of Directors of the Financing Authority and the primary role of the Financing Authority is to facilitate financings for the Successor Agency.

Financing Authority action is required to issue the 2017D and 2017E Bonds because it issued the original bonds that are now being refunded. Resolution #03-2017 approves the Redemption Agreements, authorizes the distribution of the Official Statement and further directs staff to take all actions necessary and advisable to complete the transactions. Attachment E is a sample redemption agreement. The redemption agreements define the financial terms under which 2017D and 2017E will refund the bonds and related loan agreements. These terms are preliminary and may change depending on market conditions at the time of the sale. Bond counsel will prepare final redemption agreements based on the outcome of the 2017D and 2017E bond sale.

OCII debt policy states that a bond refunding should produce a minimum net present value savings of at least 3 percent of the par value of the refunded bonds, absent any significant non-economic factors. The 2017D and 2017E refunding bonds will comply with OCII debt policy. Current estimates project net present value savings of $23.1 million (20.0 percent) for 2017D and $4.3 million (19.4 percent) for 2017E.

Next Steps

Staff will work with the financing team to price and close the bonds in November.

Enabling Law

Redevelopment Dissolution Law grants Successor Agencies the authority to issue refunding bonds, subject to review and approval by the Oversight Board and the Department of Finance, for the purpose of creating savings in the use of tax increment to service debt. California Health and Safety Code Section 34177.5(a)(1).

California Environmental Quality Act

Authorization of the sale and issuance of the 2017D and 2017E 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), will not independently result in a physical change in the environment, and not subject to environmental review under CEQA.

(Originated by John Daigle, Sr. Financial Analyst)

Nadia Sesay
Nadia Sesay
Executive Director

Attachment A:	OCII Commission Resolution 24-2017 (without Exhibits)
Attachment B:	Oversight Board Resolution 2-2017
Attachment C:	Department of Finance approval letter, September 11, 2017
Attachment D:	Commission Memorandum, June 20, 2017
Attachment E:	Sample Redemption Agreement
Attachment F:	Oversight Board Memo, July 10, 2017

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 24-2017
Adopted June 20, 2017

AUTHORIZING THE ISSUANCE OF TAXABLE AND TAX-EXEMPT REFUNDING TAX ALLOCATION BONDS CAPTIONED 2017 SERIES D TAXABLE SUBORDINATE TAX ALLOCATION REFUNDING BONDS (SAN FRANCISCO REDEVELOPMENT PROJECTS) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $158,000,000 AND 2017 SERIES E SUBORDINATE TAX ALLOCATION REFUNDING BONDS (SAN FRANCISCO REDEVELOPMENT PROJECTS) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $27,000,000, APPROVING AND DIRECTING THE EXECUTION OF A FIRST SUPPLEMENT TO THE INDENTURE OF TRUST, BOND PURCHASE CONTRACT AND ONE OR MORE REDEMPTION AGREEMENTS, AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS; VARIOUS PROJECT AREAS

WHEREAS, Under California Assembly Bill No. 1X26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26") and the California Supreme Court's decision in California Redevelopment Association v. Matosantos, No. 5194861, all redevelopment agencies in the State of California (the "State"), including the Redevelopment Agency of the City and County of San Francisco (the "Former Redevelopment Agency"), were dissolved by operation of law as of February 1, 2012, and their non-affordable housing assets and obligations were transferred to certain designated successor agencies; and,

WHEREAS, In June of 2012, the California legislature adopted Assembly Bill 1484 ("AB 1484") amending certain provisions of AB 26 and clarifying that successor agencies are separate public entities (Section 34173 (g) of the California Health and Safety Code (the "Code")), and have the authority, with approval of the oversight board and the California Department of Finance, to issue bonds for certain purposes (Section 34177.5(a) of the Code), and the Governor of the State signed the bill on June 27, 2012 and it became effective on June 27, 2012; and,

WHEREAS, Subsequent to the adoption of AB 1484, on October 2, 2012 the Board of Supervisors of the City (the "Board of Supervisors") adopted Ordinance No. 215-12 (the "Implementing Ordinance"), which was signed by the Mayor on October 4, 2012, and which, among other matters: (a) acknowledged and confirmed that, as of the effective date of AB 1484, the Successor Agency (as defined herein) is a separate legal entity from the City, (b) acknowledged and confirmed that the Successor Agency holds, subject to the applicable rights and restrictions set forth in AB 26 as amended by AB 1484, and as it may be further amended from time to time (collectively referred to in the Implementing Ordinance as the "Redevelopment Dissolution Law"), title to all assets, and all rights, obligations and liabilities of the Former Redevelopment Agency, (c) declared that the name of the Successor Agency is the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco," (d) established the Successor Agency Commission (the "Successor Agency Commission") and delegated to the Successor Agency Commission the authority (excluding authority as to the "Housing Assets," as defined in the Implementing Ordinance, but not excluding authority as to the "Retained Housing Obligations") to act in place of the Former Redevelopment Agency Commission to, among other matters: (i) implement, modify, enforce and complete the Former Redevelopment Agency's enforceable obligations, except with respect to certain enforceable obligations for specified affordable housing purposes, (ii) approve all contracts and actions related to the assets transferred to or returned by the Successor Agency, consistent with applicable enforceable obligations, and (iii) take any action that the Redevelopment Dissolution Law requires or authorizes on behalf of the Successor Agency and any other action that the Successor Agency Commission deems appropriate consistent with the Redevelopment Dissolution Law to comply with such obligations, including, without limitation, authorizing additional obligations in furtherance of enforceable obligations, and approving the issuance of bonds to carry out the enforceable obligations, subject to any approval of the oversight board of the Successor Agency established pursuant to the provisions of the Redevelopment Dissolution Law (the "Oversight Board"), (e) authorized the Mayor to appoint the five members of the Successor Agency Commission, and (f) provided for an Executive Director of, and legal counsel to, the Successor Agency; and,

WHEREAS, The Successor Agency is also known as the Office of Community Investment and Infrastructure ("OCII") and its commission is known as the Commission on Community Investment and Infrastructure; and,

WHEREAS, In September of 2015, the California legislature adopted Senate Bill No. 107 (Stats. 2015, ch. 325, § 9, *codified at* Cal. Health & Safety Code § 34177.7) further amending the Redevelopment Dissolution Law; and,

WHEREAS, Prior to the dissolution of the Former Redevelopment Agency, the City and County of San Francisco Redevelopment Financing Authority (the "Authority") made certain loans to the Former Redevelopment Agency pursuant to the loan agreements set forth on Exhibit A hereto and incorporated herein (collectively, the "Original Loan Agreements") with proceeds of bonds issued by the Authority described on Exhibit A hereto and incorporated herein (collectively, the "Prior Bonds"), to finance and refinance redevelopment activities; and,

WHEREAS, Section 34177.5(a)(1) of the Code provides that a successor agency may, subject to the approval of the oversight board and the California Department of Finance, issue bonds or incur other indebtedness to refund the bonds or other indebtedness of its former redevelopment agency to provide savings to the successor agency, provided that the conditions set forth in that section (the "Savings Parameters") are met; and, WHEREAS, Section 34177.5(b) of the Code authorizes a successor agency to issue such refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law"); and,

WHEREAS, In order to refinance all or a portion of certain of the Prior Bonds (the "2014 Refunded Bonds") and the related Original Loan Agreements described on Exhibit B hereto and incorporated herein (the "2014 Refunded Loan Agreements") under the authority of Section 34177.5(a)(1) of the Code and the Refunding Law, the Successor Agency previously issued its $67,955,000 initial aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series B Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) and the $75,945,000 initial aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (collectively, the "2014 Bonds"), pursuant to an Indenture of Trust dated as of December 1, 2014 (the "Original Indenture"), between the Successor Agency and U.S. Bank National Association, as trustee (the "Trustee"); and,

WHEREAS, In order to refinance all or a portion of certain additional Prior Bonds (the "2017 Refunded Bonds") and the related Original Loan Agreements set forth on Exhibit C hereto and incorporated herein (the "2017 Refunded Loan Agreements") under the authority of Section 34177.5(a)(1) of the Code and the Refunding Law, the Successor Agency has determined, subject to the approval of the Oversight Board and the California Department of Finance, to issue two series of bonds (herein referred collectively as, the "2017 Bonds") captioned "2017 Series D Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects)" (the "2017 Series D Bonds") and the "2017 Series E Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects)" (the "2017 Series E Bonds"); and,

WHEREAS, The 2017 Bonds will be payable from "Pledged Tax Revenues" (as defined in the hereinafter defined Indenture) on (i) a basis subordinate to the Successor Agency's repayment obligations under the Original Loan Agreements that will remain outstanding after the issuance of the 2017 Series D Bonds and the 2017 Series E Bonds and (ii) a parity basis with the 2014 Bonds and any other debt issued in the future on a parity with the 2014 Bonds and the 2017 Bonds; and,

WHEREAS, The sale of the 2017 Bonds will comply with the provisions of the Successor Agency's debt policy (the "Debt Policy"), adopted by Resolution 72-2014 of the Successor Agency Commission on August 19, 2014, unless such compliance is waived in accordance with the Debt Policy; and,

WHEREAS, CSG Advisors Incorporated (the "Municipal Advisor") has prepared an analysis which is attached as Exhibit D hereto and incorporated into this Resolution, which addresses matters described in Section 34177.7(h) of the Code with respect to the 2017 Bonds; and, WHEREAS, The Successor Agency has determined, subject to the approval of the Oversight Board and the California Department of Finance, to sell the 2017 Bonds to Piper Jaffray & Co, Stifel, Nicolaus & Company, Incorporated and Stinson Securities, LLC (collectively, the "Underwriters") pursuant to a Bond Purchase Contract (the "Purchase Contract") among the Successor Agency, the City and County of San Francisco Redevelopment Financing Authority (the "Authority") and the Underwriters; and,

WHEREAS, The following documents and instruments have been made available to the Successor Agency and the public and are on file with the Secretary of the Successor Agency: a First Supplement to Indenture of Trust (the "First Supplement") between the Successor Agency and the Trustee, supplementing and amending the Original Indenture (as so supplemented and amended, the "Indenture") providing for the issuance of the 2017 Bonds; a Redemption Agreement for each of the 2017 Refunded Bonds and the related 2017 Refunded Loan Agreements (each a "Redemption Agreement") providing for the refinancing of the 2017 Refunded Loan Agreements, and the refunding and defeasance of the 2017 Refunded Bonds; the Purchase Contract; and,

WHEREAS, The Successor Agency is now requesting that the Oversight Board direct the Successor Agency to undertake the proceedings necessary to issue the 2017 Bonds and to approve the issuance of the 2017 Bonds pursuant to this Resolution and the Indenture; and,

WHEREAS, The Successor Agency further requests that the Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking (i) the proceedings necessary to issue the 2017 Bonds and (ii) the issuance of the 2017 Bonds; and,

WHEREAS, Following approval by the Oversight Board of the issuance of the 2017 Bonds by the Successor Agency and upon submission of the Oversight Board Resolution to the California Department of Finance, the Successor Agency will, with the assistance of the Municipal Advisor, bond counsel to the Successor Agency ("Bond Counsel"), disclosure counsel to the Successor Agency ("Disclosure Counsel"), and the fiscal consultant to the Successor Agency (the "Fiscal Consultant"), cause to be prepared a form of Official Statement describing the 2017 Bonds and containing material information relating to the Successor Agency and the 2017 Bonds, the preliminary form of which will be submitted to the Successor Agency's Commission (but not the Oversight Board) for approval for distribution by the Underwriters to persons and institutions interested in purchasing the 2017 Bonds; and,

WHEREAS, The sale and issuance of the 2017 Bonds are Successor Agency fiscal activities that do not constitute a "Project" as defined by the California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(4), will not independently result in a physical change in the environment, and are not subject to environmental review under CEQA; now therefore, be it

RESOLVED, The Successor Agency Commission finds that:

The Successor Agency has full authority under Section 34177.5(a)(1) of the Code to issue the 2017 Bonds to refinance the 2017 Refunded Loan Agreements and the 2017 Refunded Bonds, and upon the Oversight Board's approval and the California Department of Finance's non-objection to or approval of the Oversight Board's Resolution, all acts and proceedings required by law necessary to make the 2017 Bonds, when executed by the Successor Agency, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Successor Agency, and to constitute the First Supplement a valid and binding agreement for the uses and purposes therein set forth, in accordance with its terms, will have been done or taken and the execution and delivery of the First Supplement will have been in all respects duly authorized; and, be it further

RESOLVED, The Successor Agency Commission has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters by the issuance by the Successor Agency of the 2017 Bonds to provide funds to refund, discharge and defease the 2017 Refunded Loan Agreements and the 2017 Refunded Bonds, all as evidenced by the Debt Service Savings Analysis attached hereto and incorporated herein as Exhibit D, which is hereby approved; and, be it further

RESOLVED, Pursuant to the Act, this Resolution, the Indenture, and Sections 34177.5(b) of the Code, the 2017 Series D Bonds are hereby authorized to be issued, subject to the approval of the Oversight Board and the California Department of Finance's non-objection to or approval of the Oversight Board's Resolution, provided that the aggregate initial amount of the 2017 Series D Bonds shall not exceed $158,000,000. The 2017 Series D Bonds shall be executed in the form set forth in and otherwise as provided in the First Supplement. Notwithstanding the foregoing, the Successor Agency may issue more than one series of bonds at different times if the Authorized Officers (as defined below) determine it is in the best interests of the Successor Agency to do so, provided that the maximum combined principal amount of all such bonds shall not exceed $158,000,000; and, be it further

RESOLVED, It is the intent of the Successor Agency that interest on the 2017 Series D Bonds be subject to all applicable federal income taxation; and, be it further

RESOLVED, Pursuant to the Act, this Resolution, the Indenture, and Section 34177.5(b) of the Code, the 2017 Series E Bonds are hereby authorized to be issued, subject to the approval of the Oversight Board and the California Department of Finance's non-objection to or approval of the Oversight Board's Resolution, provided that the aggregate initial amount of the 2017 Series E Bonds shall not exceed $27,000,000. The 2017 Series E Bonds shall be executed in the form set forth in and otherwise as provided in the First Supplement. Notwithstanding the foregoing, the Successor Agency may issue more than one series of bonds at different times if the Authorized Officers determine it is in the best interests of the

Successor Agency to do so, provided that the maximum combined principal amount of all bonds shall not exceed $27,000,000; and, be it further

RESOLVED, It is the intent of the Successor Agency that interest on the 2017 Series E Bonds be exempt from federal income taxation; and, be it further

RESOLVED, The First Supplement is hereby approved in the form attached hereto and incorporated herein as Exhibit E. The Executive Director and the Deputy Director of Finance and Administration (each being hereinafter referred to as an "Authorized Officer"), each acting alone, are hereby authorized and directed, subject to the Oversight Board's approval and the California Department of Finance's non-objection to or approval of the Oversight Board's Resolution, to execute and deliver the First Supplement in said form, 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, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the First Supplement by an Authorized Officer. The date, manner of payment, interest rate or rates, interest payment dates, denominations, form, registration, privileges, manner of execution, place of payment, terms of redemption and other terms of the 2017 Bonds shall be as provided in the First Supplement as finally executed. The selection of U.S. Bank National Association to serve as trustee under the First Supplement is hereby approved; and, be it further

RESOLVED, The Redemption Agreements are hereby approved in the forms attached hereto and incorporated herein as Exhibit F. Each Authorized Officer, acting alone, is hereby authorized and directed, subject to the Oversight Board's approval, and the California Department of Finance's non-objection to or approval of the Oversight Board's Resolution, to execute and deliver the Redemption Agreements in said forms, with such additions thereto or changes therein as are approved by an Authorized Officer upon consultation with the Successor Agency and Bond Counsel, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Redemption Agreements by an Authorized Officer; and, be it further

RESOLVED, The Successor Agency hereby approves the selection of the Underwriters. The Purchase Contract is hereby approved in the form attached hereto and incorporated herein as Exhibit G. An Authorized Officer is hereby authorized and directed to accept the offer of the Underwriters to purchase the 2017 Series D Bonds, provided that the following conditions are met: the aggregate initial amount of the 2017 Series D Bonds may not exceed $158,000,000, the true interest cost of the 2017 Series D Bonds may not exceed 8.00% per annum, and the Underwriters' discount for the 2017 Series D Bonds, without regard to any original issue discount, may not exceed 0.50% of the aggregate initial amount of the 2017 Series D Bonds. An Authorized Officer is hereby authorized and directed to accept the offer of the Underwriters to purchase the 2017 Series E Bonds, provided that the following conditions are met: the aggregate initial amount of the 2017 Series E Bonds may not exceed $27,000,000, the true interest cost of the 2017 Series E Bonds may not exceed 8.00% per annum, and the Underwriters' discount for the 2017 Series E Bonds, without regard to any original issue discount, may not exceed 0.50% of the aggregate initial amount of the 2017 Series E Bonds. Subject to the Oversight Board's approval, and the California Department of Finance's non-objection to or approval of the Oversight Board's Resolution, an Authorized Officer is hereby authorized and directed to execute and deliver the Purchase Contract in said form, 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 approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Purchase Contract by an Authorized Officer; and, be it further

RESOLVED, Following approval by the Oversight Board of the issuance of the 2017 Bonds by the Successor Agency and upon submission to the California Department of Finance of such approval by the Oversight Board, the Successor Agency will, with the assistance of Disclosure Counsel, Bond Counsel, the Fiscal Consultant and the Municipal Advisor, cause to be prepared a form of Official Statement describing the 2017 Bonds and containing material information relating to the Successor Agency and the 2017 Bonds, the preliminary form of which will be submitted to the Successor Agency's Commission (but not to the Oversight Board) for approval for distribution by the Underwriters to persons and institutions interested in purchasing the 2017 Bonds; and, be it further

RESOLVED, The 2017 Bonds, when executed, shall be delivered to the Trustee for authentication. The Trustee is hereby requested and directed to authenticate the 2017 Bonds by executing the Trustee's certificate of authentication and registration appearing thereon, and to deliver the 2017 Bonds, when duly executed and authenticated, to the Underwriters in accordance with written instructions executed on behalf of the Successor Agency by an Authorized Officer, which instructions such officer is hereby authorized and directed to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the 2017 Bonds to the Underwriters upon payment of the purchase price therefor; and, be it further

RESOLVED, The Successor Agency hereby requests the Oversight Board, as authorized by Section 34177.5(f) of the Code, to direct the Successor Agency to undertake the refunding proceedings described herein and, as authorized by Sections 34177.5(f) and 34180 of the Code, to approve the issuance of the 2017 Bonds to refund the 2017 Refunded Loan Agreements and the 2017 Refunded Bonds pursuant to Section 34177.5(a)(1) of the Code, this Resolution and the Indenture; and, be it further

RESOLVED, The Successor Agency requests that the Oversight Board make the following determinations upon which the Successor Agency will rely in (i) undertaking the proceedings necessary for the issuance of the 2017 Bonds and (ii) the issuance of the 2017 Bonds:

(a) The Successor Agency is authorized, as provided in Section 34177.5(f) of the Code, to recover its costs related to the issuance of the 2017 Bonds from the proceeds of the 2017 Bonds, including the cost of reimbursing its administrative staff for time spent with respect to the authorization, issuance, sale and delivery of the 2017 Bonds.

(b) The application of proceeds of the 2017 Bonds by the Successor Agency to the refunding and defeasance of the 2017 Refunded Bonds and the refinancing of the 2017 Refunded Loan Agreements, as provided in Section 34177.5(a) of the Code, as well as the payment by the Successor Agency of costs of issuance of the 2017 Bonds, shall be implemented by the Successor Agency promptly upon sale and delivery of the 2017 Bonds, notwithstanding Section 34177.3 of the Code or any other provision of law to the contrary, without the further approval of the Oversight Board, the California Department of Finance, or any other person or entity other than the Successor Agency.

(c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34183(a)(3) of the Code without any deductions with respect to continuing post-issuance compliance and administration costs related to the 2017 Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183 of the Code. In addition and as provided by Section 34177.5(f) of the Code, if the Successor Agency is unable to complete the issuance of the 2017 Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the proceedings relating to the issuance of the 2017 Bonds from such property tax revenues pursuant to Section 34183 of the Code without reduction in its Administrative Cost Allowance; and, be it further

RESOLVED The Successor Agency is hereby authorized and directed to file the Debt Service Savings Analysis, together with a certified copy of this Resolution, with the Oversight Board, and, as provided in Section 34180(j) of the Code, with the California Department of Finance, the Administrative Officer and Auditor-Controller of the City and County of San Francisco; and, be it further

RESOLVED, The Authorized Officers, each acting alone, are hereby authorized and directed to take all actions necessary to obtain a municipal bond insurance policy and/or reserve account surety bond, or both, for the 2017 Bonds, or any portion thereof, from a municipal bond insurance company if it is determined, upon consultation with the Municipal Advisor, that such municipal bond insurance policy and/or surety bond will reduce the debt service costs with respect to the 2017 Bonds; and, be it further

RESOLVED, That, subject to the preparation and approval of the Official Statement, as described above, this Commission authorizes all actions heretofore taken by the officers and agents of the Successor Agency with respect to the sale and issuance of the 2017 Bonds herein authorized, the expenditure of the proceeds of the 2017 Bonds is hereby approved, confirmed and ratified, and the proper officers of the Successor Agency are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2017 Bonds in accordance with this Resolution and any certificate, agreement and other document described in the documents herein approved.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of June 20, 2017.

Lucinda Nguyen

Interim Commission Secretary

Exhibit A: Original Loan Agreements and Prior Bonds (By Bond Issue)
Exhibit B: 2014 Refunded Loan Agreements and 2014 Refunded Bonds (By Bond Issue)
Exhibit C: 2017 Refunded Loan Agreements and 2017 Refunded Bonds (By Bond Issue)
Exhibit D: Debt Service Saving Analysis
Exhibit E: First Supplemental to Indenture
Exhibit F: Redemption Agreements
Exhibit G: Bond Purchase Contract

OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 2-2017
Adopted July 10, 2017

APPROVING, UNDER SECTIONS 34177.5(a)(1) AND (f) AND 34180(b) OF THE CALIFORNIA HEALTH AND SAFETY CODE, THE ISSUANCE OF REFUNDING TAX ALLOCATION BONDS BY THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, AND RELATED ACTIONS; VARIOUS PROJECT AREAS

WHEREAS, Prior to the dissolution of the Redevelopment Agency of the City and County of San Francisco (the "Former Redevelopment Agency"), the Former Redevelopment Agency entered into the loan agreements set forth on Exhibit A hereto and incorporated herein (collectively, the "Original Loan Agreements") and the City and County of San Francisco Redevelopment Finance Authority (the "Authority") issued the bonds set forth on Exhibit A hereto and incorporated herein (collectively, the "Prior Bonds"), to finance and refinance redevelopment activities of the Former Redevelopment Agency; and,

WHEREAS, Section 34177.5(a)(1) of the California Health and Safety Code (the "Code") provides that a successor agency may issue bonds or incur other indebtedness to refund the bonds or other indebtedness of its former redevelopment agency to provide savings to the successor agency, provided that the conditions set forth in that section (the "Savings Parameters") are met; and,

WHEREAS, Section 34177.5(b) of the Code authorizes a successor agency to issue such refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law"); and,

WHEREAS, Section 34177.5(f) and 34180(b) of the Code provides that the actions authorized under the foregoing Sections of the Code are subject to the approval of the applicable oversight board; and,

WHEREAS, In order to refinance all or a portion of certain of the Prior Bonds (the "2014 Refunded Bonds") and the related Original Loan Agreements described on Exhibit B hereto and incorporated herein (the "2014 Refunded Loan Agreements") under the authority of Section 34177.5(a)(1) of the Code and the Refunding Law, the Successor Agency previously issued its $67,955,000 initial aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series B Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) and the $75,945,000 initial aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (collectively, the "2014 Bonds"), pursuant to an Indenture of Trust dated as of December 1, 2014 (the "Original Indenture"), between the Successor Agency and U.S. Bank National Association, as trustee (the "Trustee"); and, WHEREAS, To take advantage of current bond market conditions and to provide debt service savings, the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Successor Agency") has, subject to the approval of this Oversight Board and the California Department of Finance, determined to issue bonds to refinance all or a portion of certain additional Original Loan Agreements (the "2017 Refunded Loan Agreements") set forth on Exhibit C hereto and incorporated herein and refund certain of the related Prior Bonds (the "2017 Refunded Bonds") set forth on Exhibit C hereto and incorporated herein under the authority of Section 34177.5(a)(1) of the Code and the Refunding Law; and,

WHEREAS, In order to refinance the 2017 Refunded Loan Agreements and refund the 2017 Refunded Bonds, on June 20, 2017, the Commission on Community Investment and Infrastructure (also known as the "Successor Agency Commission") adopted Resolution No. 24-2017 (the "Successor Agency Resolution"), a copy of which is attached to this Resolution as Exhibit D hereto and incorporated herein, which authorizes the issuance of two series of bonds (herein referred collectively as, the "2017 Bonds") captioned "2017 Series D Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects)" and the "2017 Series E Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects)," and approves related documents and actions; and,

WHEREAS, The 2017 Bonds will be payable from "Pledged Tax Revenues" (as defined in the hereinafter defined Indenture) on (i) a basis subordinate to the Successor Agency's repayment obligations under the Original Loan Agreements that will remain outstanding after the issuance of the 2017 Series D Bonds and the 2017 Series E Bonds and (ii) a parity basis with the 2014 Bonds and any other debt issued in the future on a parity with the 2014 Bonds and the 2017 Bonds; and,

WHEREAS, To determine that the issuance of the 2017 Bonds relating to the refinancing of the 2017 Refunded Loan Agreements and the resulting refunding of the 2017 Refunded Bonds comply with the Savings Parameters, the Successor Agency has caused its municipal advisor, CSG Advisors Incorporated, to prepare an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of the proceeds of the 2017 Bonds to prepay the 2017 Refunded Loan Agreements and, thereby, to refund all or a portion of the 2017 Refunded Bonds (the "Debt Service Savings Analysis"); and,

WHEREAS, The Successor Agency has filed the Debt Service Savings Analysis (attached hereto as Exhibit E), together with a certified copy of the Successor Agency Resolution, with the Oversight Board and, as provided in Section 34180(j) of the Code, with the California Department of Finance, and has also submitted the Successor Agency Resolution to the Administrative Officer and the Auditor-Controller of the City and County of San Francisco and the California Department of Finance, as required by Section 34180(j) of the Code; and,

WHEREAS, Under Sections 34177.5(f) and 34180(b) of the Code and the provisions of Ordinance No. 215-12 adopted by the Board of Supervisors of the City and County of San Francisco on October 2, 2012, the Successor Agency's issuance of the 2017 Bonds is subject to the approval of this Oversight Board; and, WHEREAS, The approval of the issuance of the 2017 Bonds as authorized by the Successor Agency is an Oversight Board fiscal oversight activity that does not constitute a "Project" as defined by the California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(4), will not independently result in a physical change in the environment, and is not subject to environmental review under CEQA; and,

WHEREAS, This Oversight Board now desires to approve the issuance of the 2017 Bonds and the refinancing of the 2017 Refunded Loan Agreements and the resulting refunding of the 2017 Refunded Bonds by the Successor Agency, and the other actions of the Successor Agency contemplated by the Successor Agency Resolution; now therefore, be it

RESOLVED, This Oversight Board, as authorized by Section 34177.5(f) of the Code, directs the Successor Agency to undertake the refunding proceedings and, as authorized by Sections 34177.5(a)(1) and 34180(b) of the Code, approves the issuance of the 2017 Bonds pursuant to Section 34177.5(a)(1) of the Code, the Successor Agency Resolution and the Indenture; and, be it, further

RESOLVED, This Oversight Board makes the following determinations upon which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the 2017 Bonds:

(a) The Successor Agency is authorized, as provided in Section 34177.5(f) of the Code, to recover its costs related to the issuance of the 2017 Bonds from the proceeds of the 2017 Bonds, including the cost of reimbursing its administrative staff for time spent with respect to the authorization, issuance, sale and delivery of the 2017 Bonds.

(b) The application of proceeds of the 2017 Bonds by the Successor Agency to the refunding and defeasance of the 2017 Refunded Bonds and the refinancing of the 2017 Refunded Loan Agreements, as well as the payment by the Successor Agency of costs of issuance of the 2017 Bonds, shall be implemented by the Successor Agency promptly upon sale and delivery of the 2017 Bonds, notwithstanding Section 34177.3 of the Code or any other provision of law to the contrary, without the further approval of the Oversight Board, the California Department of Finance, or any other person or entity other than the Successor Agency.

(c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34183(a)(3) of the Code without any deductions with respect to continuing post-issuance compliance and administration costs related to the 2017 Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183 of the Code. In addition and as provided by Section 34177.5(f) of the Code, if the Successor Agency is unable to complete the issuance of the 2017 Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings of the 2017 Bonds from such property tax revenues pursuant to Section 34183 of the Code without reduction in its Administrative Cost Allowance.

RESOLVED, That the Oversight Board approves the Successor Agency's execution and delivery of the First Supplement to Indenture of Trust between the Successor Agency and the Trustee, supplementing and amending the Original Indenture (as so supplemented and amended, the "Indenture"), attached hereto as Exhibit F and incorporated herein, pursuant to which the 2017 Bonds will be issued; and, be it, further

RESOLVED, That the Oversight Board approves the Successor Agency's execution and delivery of the Redemption Agreements, attached hereto as Exhibit G, pursuant to which the 2017 Refunded Loan Agreements and the 2017 Refunded Bonds will be refunded, discharged and defeased; and, be it, further

RESOLVED, That the Oversight Board approves the Successor Agency's execution and delivery of the Bond Purchase Contract, attached hereto as Exhibit H, pursuant to which the 2017 Bonds will be sold; and, be it, further

RESOLVED, That this Oversight Board authorizes all actions heretofore taken by the officers and agents of the Successor Agency with respect to the sale and issuance of the 2017 Bonds herein authorized and as described in the Successor Agency Resolution, the expenditure of the proceeds of the 2017 Bonds is hereby approved, confirmed and ratified, and the proper officers of the Successor Agency are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2017 Bonds in accordance with this Resolution and the Successor Agency Resolution and any certificate, agreement and other document described in the documents herein approved or approved in the Successor Agency Resolution.

I hereby certify that the foregoing resolution was adopted by the Oversight Board at its meeting of July 10, 2017.

Lucinda Nguyen

Interim Board Secretary

Exhibit A: Original Loan Agreements and Prior Bonds (By Bond Issue)
Exhibit B: 2014 Refunded Loan Agreements and 2014 Refunded Bonds (By Bond Issue)
Exhibit C: 2017 Refunded Loan Agreements and 2017 Refunded Bonds (By Bond Issue)
Exhibit D: OCII Resolution 24-2017 (without Exhibits)
Exhibit E: Debt Service Saving Analysis
Exhibit F: First Supplemental to Indenture
Exhibit G: Redemption Agreements
Exhibit H: Bond Purchase Contracts

DEPARTMENT OF FINANCE
EDMUND G. BROWN JR. • GOVERNOR
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September 11, 2017

Ms. Bree Mawhorter, Deputy Director of Finance and Administration
City and County of San Francisco
One South Van Ness Avenue, Fifth Floor
San Francisco, CA 94103

Dear Ms. Mawhorter:

Subject: Determination of Oversight Board Action

The City and County of San Francisco Successor Agency (Agency) notified the California Department of Finance (Finance) of its July 10, 2017 Oversight Board (OB) resolution. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution No. 2-2017 approving the issuance of 2017 Tax Allocation Refunding Bonds, is partially approved. The Agency desires to refund the following 28 loan obligations related to bonds issued by the City and County of San Francisco Redevelopment Financing Authority (Authority):

	Refunded Loan Obligations	Authority Tax Allocation Revenue Bonds
1	Bayview Hunters Point Redevelopment Project Area - Project Area B	2009 Series A
2	Rincon Point - South Beach Redevelopment Project Area	2009 Series A
3	Transbay Redevelopment Project Area	2009 Series A
4	Western Addition Redevelopment Project Area	2009 Series A
5	Yerba Buena Center Approved Redevelopment Project Area D-1	2009 Series A
6	Bayview Hunters Point Redevelopment Project Area - Project Area B	2009 Series B
7	South of Market Redevelopment Project Area	2009 Series B
8	Transbay Redevelopment Project Area	2009 Series B
9	Yerba Buena Center Approved Redevelopment Project Area D-1	2009 Series B
10	Bayview Hunters Point Redevelopment Project Area - Zone 2 of Project Area B (Partial Refunding)	2009 Series E
11	Rincon Point - South Beach Redevelopment Project Area	2009 Series E
12	Western Addition Redevelopment Project Area A-2 (Partial Refunding)	2009 Series E
13	Yerba Buena Center Approved Redevelopment Project Area D-1 (Partial Refunding)	2009 Series E

	Refunded Loan Obligations	**Authority Tax Allocation Revenue Bonds**
14	Bayview Hunters Point Redevelopment Project Area - Project Area B	2009 Series F
15	South of Market Redevelopment Project Area	2009 Series F
16	Transbay Redevelopment Project Area	2009 Series F
17	Embarcadero-Lower Market ("Golden Gateway") Redevelopment Project	2010 Series A
18	Transbay Redevelopment Project Area	2010 Series A
19	Western Addition Redevelopment Project Area	2010 Series A
20	Bayview Hunters Point Redevelopment Project Area - Zone 2 of Project Area B	2011 Series A
21	Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area	2011 Series A
22	Hunters Point Redevelopment Project Area	2011 Series A
23	South of Market Redevelopment Project Area	2011 Series A
24	Transbay Redevelopment Project Area	2011 Series A
25	Western Addition Redevelopment Project Area A-2	2011 Series A
26	Bayview Hunters Point Redevelopment Project Area - Zone 2 of Project Area B	2011 Series B
27	South of Market Redevelopment Project Area	2011 Series B
28	Transbay Redevelopment Project Area	2011 Series B

Finance approves the refunding of the above 28 loan agreements. It is our understanding and the Agency confirmed 25 loans will be fully refunded and three loans identified as Item Nos. 10, 12, and 13 will be partially refunded. The Agency anticipates achieving approximately $37,367,472 in savings over the remaining life of the bonds. Finance's approval is based on our understanding no refunding bonds will be issued unless each series of bonds meet the limitations set in HSC section 34177.5 (a). Following the issuance, the payments for the refunding bonds should be placed on a subsequent Recognized Obligation Payment Schedule (ROPS) for Finance's review and approval.

To the extent the indebtedness obligations approved for refunding per the OB Resolution are refunded in accordance with HSC section 34177.5 and prior to the next ROPS submission, the Agency may use Redevelopment Property Tax Trust Funds received for payment of the currently listed obligations being refunded. Any indebtedness for which refunding is finalized must be separately identified as a new item on a subsequent ROPS and will be subject to Finance's review and approval. Further, pursuant to HSC section 34186 (a), the Agency is required to report estimated obligations and actual payments. Any unspent funds should be reported as prior period adjustments.

In addition, section (c) of the Resolution states the Agency is entitled to receive its full administrative cost allowance under HSC section 34181 (a) (3) without any reductions with respect to continuing costs of issuance. However, HSC section 34181 (a) (3) does not exist. While all costs related to the issuance can be paid separately pursuant to HSC section 34177.5 (f), any administrative costs post-issuance of the bonds must be placed on a subsequent ROPS for Finance's review to determine if the costs should be paid out of the administrative allowance or whether the costs are separate enforceable obligations. To the extent this section seeks to have ongoing administration costs of bonds to be paid in addition to regular administrative costs, such action is denied.

In the event the OB desires to amend the portion of the resolution not approved by Finance, Finance is returning it to the board for reconsideration. However, the Agency may move forward with the portion of the Resolution approved by Finance.

Please direct inquiries to Kylie Oltmann, Supervisor, or Brian Dunham, Lead Analyst, at (916) 322-2985.

Sincerely,

for

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Nadia Sesay, Interim Executive Director, City and County of San Francisco
Mr. James Whitaker, Property Tax Manager, San Francisco County

Attachment D

OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0562017-002

Agenda Item **No. 5(d)**
Meeting of June 20, 2017

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, Interim Executive Director

SUBJECT: Authorizing the issuance of taxable and tax-exempt refunding tax allocation bonds captioned 2017 Series D Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) in an aggregate principal amount not to exceed $ 158,000,000 and 2017 Series E Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) in an aggregate principal amount not to exceed $27,000,000, approving and directing the execution of a first supplement to the Indenture of Trust, bond purchase contract and one or more redemption agreements, and approving other related documents and actions, various project areas

EXECUTIVE SUMMARY

The Office of Community Investment and Infrastructure (OCII) proposes issuing two series of refunding bonds to refund certain loan agreements (the "2017 Refunded Loan Agreements") related to loans made by the City and County of San Francisco Redevelopment Financing Authority (the "Authority") to the former Redevelopment Agency of the City and County of San Francisco. The refunding bonds will refund up to seven outstanding bonds of the Authority (the "2017 Refunded Bonds"). The 2017 Series D bonds ("2017D") would have an estimated par of $123 million and would refund five prior series of 2017 Refunded Bonds. The 2017 Series E bonds ("2017E") would have an estimated par amount of $22 million and would refund two prior series of 2017 Refunded Bonds. Refunding the 2017 Refunded Bonds and the associated 2017 Refunded Loan Agreements would reduce OCII's debt service costs, increasing the amount of tax increment available to fund its enforceable obligations. In addition, the proposed refunding of certain bonds would allow OCII to preserve funding for enforceable obligations which remain in effect for several years.

Issuance of the 2017D and 2017E bonds requires Commission approval of Resolution 23-2017. Resolution 23-2017 approves in form documents necessary to seek Oversight Board and Department of Finance approval for the sale of 2017D and 2017E. The resolution sets forth not-to -exceed amounts for the bond principal amounts, interest rates, and underwriter's discount. The resolution also approves the underwriter selection and authorizes staff to take all actions necessary to complete the transaction.

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Subsequent OCII Commission and Financing Authority action will be required to approve the preliminary official statement and other final documents and actions.

Staff recommends the Commission approve Resolution 23-2017 to allow the refunding transactions to proceed.

DISCUSSION

OCII proposes issuing refunding bonds to refund up to seven outstanding bonds and related loan agreements issued by the former San Francisco Redevelopment Agency. Prior to the dissolution of redevelopment agencies, the Authority issued bonds utilizing a cross-collateralized credit. The cross-collateralized credit 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, for non-housing purposes, 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. This structure allowed OCII to bond against the collective strength of Project Areas, while adhering to the Redevelopment law requirement that tax increment generated in a Project Area be spent in that Project Area, except for affordable housing, which could be funded anywhere in the City and County of San Francisco. When OCII refunds bonds issued by the Authority, it must also refund the loan agreements related to those bonds.

OCII plans to issue two series of refunding bonds, 2017D and 2017E. 2017D would have an estimated par amount of approximately $123 million and would refund three taxable bonds and one tax-exempt bond and the related loan agreements. 2017E would have an estimated par amount of $22 million and would refund two tax-exempt bonds and related loan agreements. Refunding these bonds would reduce OCII's debt service costs and preserve funding for development costs associated with existing enforceable obligations. The FY16-17 budget authorizes OCII to issue refunding debt where savings can be achieved.

Proposed Bonds

2017D is a taxable refunding bond and would be issued in an estimated par amount of $123 million. 2017D would refund up to five outstanding taxable bonds issued prior to Dissolution. Current candidates include 2009A, 2009B, 2009E, 2010A, and 2011A. The final size of the refunding may increase or decrease depending on market conditions. 2009B, issued on a tax-exempt basis, would be refunded on a taxable basis in order to preserve OCII's ability to expend up to $5 million in proceeds from the prior bonds that are held on reserve for enforceable obligations. Generally, refunding tax-exempt bonds on a taxable basis results in lower savings than refunding on a tax-exempt basis. Currently, the interest rate for tax-exempt and taxable bonds are very similar. Therefore the impact of refunding 2009B on a taxable basis is minimal. The final size of the refunding may increase or decrease depending on market conditions.

2017E would be issued in an estimated amount of $22 million and would refund up to two outstanding tax-exempt bonds issued prior to Dissolution. Current candidates include 2009F and 2011B.

Section 34177.5 of the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code for the purpose of achieving debt service savings provided that the following conditions are satisfied (the "Savings Parameters"): (A) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance.

To determine compliance with the Savings Parameters for 2017D and 2017E, OCII directed its Municipal Advisor, CSG Advisors, to prepare a debt savings analysis. A debt savings analysis identifies the potential savings of issuing a refunding bond. The debt savings analysis prepared by CSG Advisors shows significant potential savings, in compliance with the Savings Parameters, as described below.

Exhibit 1 describes the sources and uses for the most conservative cases e.g., the highest interest rate assumption. The sources and uses are estimated and subject to change.

Exhibit 1:
Sources and Uses of Funds 2017 & 2017E

Sources of Funds		**2017D**		**2017E**
Par Amount	$	122,855,000	$	21,270,000
Net Premium / Discount			$	2,235,420
Other Sources of Funds				
Prior Debt Service Reserve	$	10,022,500	$	2,224,500
Total Sources	**$**	**132,877,500**	**$**	**25,729,920**

Uses of Funds		**2017D**		**2017E**
Refunding Escrow Deposits				
SLGS Purchases	$	131,842,402	$	25,520,412
Cash Deposit	$	1	$	0
Delivery Date Expenses				
Cost of Issuance	$	383,589	$	66,411
Underwriter's Discount [1]	$	448,421	$	105,287
Reserve Surety (2.15%)	$	202,302	$	35,025
Additional Proceeds	$	785	$	2,785
Total Uses	**$**	**132,877,500**	**$**	**25,729,920**

[1] The underwriter's discount is the difference between the price the underwriter pays the issuer and price at which it sells the offering to the public and reflects the underwriter's fee for issuing the bonds.

The debt service savings analysis assumes an All-In True Interest Cost ("All-in TIC") of 4.44 percent for the 2017D bonds and 4.10 percent for the 2017E bonds. The All-In TIC is the real cost of issuing the proposed refundng bonds. As the All-In TIC includes all ancillary fees and costs, it is higher than the market interest rate. The All-In TIC in the debt service savings analysis is based on market conditions as of May 15, 2017, plus a 50 basis point (0.5 percent) cushion to account for market volatility. Given these parameters, OCII anticipates achieving $11.8 million net present value savings (10.3 percent) for 2017D and $2.6 million net present value savings (11.6

percent) for 2017E.

The projected savings for both 2017D and 2017E is greater than the savings required by the OCII Debt Policy, passed by the Commission in 2004. As per OCII's debt policy, and consistent with the Redevelopment Dissolution Law, each refunding should achieve an approximate minimum net present value savings of three percent of par for each refunded bond.

The final size of 2017D and 2017E will depend on market conditions and the economics of each refunding under consideration.

Credit

All bonds are issued against a credit. The credit is the revenue stream the issuer, in this case OCII, will use to pay the debt service on the bonds. As previously described, the Authority issued bonds using a cross-collateralized credit in order to comply with the Redevelopment Law requirement that tax increment generated in a Project Area be spent in that Project Area, except for affordable housing, which could be funded anywhere in the City and County of San Francisco.

The Redevelopment Dissolution Law eliminated the restrictions on project area funding so long as any state-approved enforceable obligation exists. Therefore, post-Dissolution, OCII replaced the cross-collateralized credit with 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 the 2014B and 2014C refunding bonds secured by amounts deposited in the RPTTF with respect to certain Project Areas, after the payment of Existing Loan Agreements and other amounts. The proposed 2017D and 2017E bonds would be issued against the RPTTF credit and would be secured by such amounts in the RPTTF on a parity with, e.g. on the same terms as, the 2014B and 2014C bonds.

Financing Team

OCII issues bonds with the assistance of a financing team composed of experts in issuing public debt. The financing team is composed of a Municipal Advisor, Bond Counsel, Disclosure Counsel, Fiscal Consultant, and Underwriter.

<u>Municipal Advisor</u>

The Municipal Advisor ("MA") oversees the financing process and opines on the pricing. The MA for 2017D and 2017E is CSG Advisors. OCII selected CSG Advisors via a competitive process issued to the City's Financial Advisor Pool. The Commission approved the CSG Advisors contract on October 4, 2016 by OCII Resolution 44-2016.

<u>Bond Counsel</u>

Bond Counsel ensures and opines that all required steps are taken to ensure the bonds are compliant with legal and regulatory requirements. Bond Counsel for 2017D and 2017E is Jones Hall. OCII selected Jones Hall via a competitive process issued to the City's Bond Counsel pool. The Commission approved the Jones Hall Contract on August 2, 2016 by OCII Resolution 38-2016. The Executive Director amended the contract as described in a

December 6, 2016 memo to the Commission.

Disclosure Counsel

Disclosure Counsel drafts and guides the content of the disclosure document used to market the bonds. Disclosure Counsel for 2017D and 2017E is the Law Offices of Alex Chiu. Chiu was selected via a competitive process issued to the City's Bond Counsel pool. The Commission approved the Chiu contract on August 2, 2016 by OCII Resolution 36-2016. The Commission will consider an amendment to the contract's not-to-exceed amount and Scope of Service on June 20, 2017.

Fiscal Consultant

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 issuance 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. The Fiscal Consultant for 2017D and 2017E is Urban Analytics. OCII selected Urban Analytics via a competitive process issued to the City's Fiscal Consultant pool. The Commission approved the Urban Analytics contract on December 15, 2015 by OCII Resolution 80-2015 and amended the contract on December 6, 2016 by OCII Resolution 55-2016, which modified Scope of Service to include refunding bonds and increased the not-to-exceed amount commensurately.

Underwriter

The Underwriter markets, purchases, and sells the bonds. The Underwriters for 2017D and 2017E are Piper Jaffrey & Co., Steifel, Nicolaus, & Co. and Stinson Securities, LLC.

OCII selected the underwriters via a competitive process issued to the City's Underwriter pool. OCII staff directed CSG Advisors (CSG), the MA for the proposed transactions, to issue a Request for Proposals (RFP) for bond underwriting services. CSG issued the RFP on December 19, 2016 and received 12 responses: Backstrom McCarley Berry & Co., Blaylock Beal Van, LLC, Citigroup Global Markets, Mesirow Financial, Inc., Morgan Stanley, Piper Jaffray & Co ("Piper"), RBC Capital Markets, Rice Financial Products Co, Stern Brothers & Co, Stifel, Nicolaus & Company, Inc. ("Stifel"), Stinson Securities, LLC ("Stinson") and Wells Fargo Securities.

A panel composed of Scott Smith of CSG, Jamie Querubin of the City Controller's Office of Public Finance, and John Daigle, OCII Senior Financial Analyst evaluated the proposals based on:

- 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 prior transactions 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 2017D and 2017E. Based on its strong position in the sale of post-Dissolution redevelopment debt, as well as its prior experience underwriting OCII bonds issued under the cross-collateralized credit, the panel recommended Piper Jaffray as senior manager. Based on its prior performance working on OCII issuances, most recently the 2017A and 2017B bonds, and its extensive presence in the California tax allocation bond market, the panel recommended Stifel as co-manager. Pursuant to OCII's Small Business Enterprise (SBE) policy goals, the panel also recommended Stinson as co-manager. Stinson has provided OCII satisfactory service as a co-manager in the past. Of the firms in the SBE category, the panel ranked Stinson the highest.

PROPOSED ACTION

Approving the above described refunding bond issuances requires the Commission to approve the Resolution 23-2017. Resolution 23-2017 authorizes the issuance of the 2017D taxable refunding bonds in a principal amount not-to -exceed $158 million and the 2017E tax-exempt refunding bonds in a principal amount not-to-exceed $27 million. Based on current market conditions, OCII expects to issue 2017D in the par amount of $123 million and 2017E in the principal amount of about $22 million.

For 2017D, the difference between the estimated size of the issue and the maximum authorization amount is to allow for two possible scenarios: the taxable refunding of additional tax-exempt bonds to accommodate an unforeseen federal tax issue; and, the need to cash fund a debt service reserve, rather than using a surety bond as currently expected. In the first case, some bonds would move from 2017E to 2017D increasing the size of 2017D. In the second case, more bonds would have to issued in order to provide funding for the 2017D debt service reserve.

For 2017E, the difference between the estimated size of the issue and the maximum authorization allows for the cash funding of the debt service reserve as described above and, secondly, allows for market conditions where investors are willing to pay a lesser premium than they are currently. The lower premium (amount by which the price paid for the bonds is higher than the par amount of the bonds) would require a higher par amount to generate funds sufficient to complete the refundings.

In support of these issuances, the Resolution approves a first supplement to the indenture of trust, the bond purchase agreements, and the redemption agreements for each of the 2017 Refunded Loan Agreements and 2017 Refunded Bonds. 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 and directs staff to take all necessary actions to close the proposed transactions.

Staff recommends the Commission approve Resolution 23-2017 in support of 2017D and 2017E.

NEXT STEPS

Pending approval of Resolution 23-2017, staff will request approval of the 2017D and 2017E bond issuances from the Oversight Board. Pending Oversight Board approval, staff will request approval of the 2017D and 2017E issuances from the Department of Finance. Pending Department of Finance approval, staff anticipate issuing the bonds prior to December 31, 2017.

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 John Daigle, Senior Financial Analyst)

Nadia Sesay
Interim Executive Director

AGREEMENT REGARDING THE REDEMPTION, DEFEASANCE AND PAYMENT OF 2009 SERIES A BONDS AND 2009 SERIES A LOAN AGREEMENTS

By and Among

CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Trustee

Dated as of ___________ 1, 2017

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AGREEMENT REGARDING
THE REDEMPTION, DEFEASANCE AND PAYMENT OF
2009 SERIES A BONDS AND 2009 SERIES A LOAN AGREEMENTS

THIS AGREEMENT REGARDING THE REDEMPTION, DEFEASANCE AND PAYMENT OF 2009 SERIES A BONDS AND 2009 SERIES A LOAN AGREEMENTS, dated as of _______ 1, 2017 (this "Agreement Regarding Redemption"), by and among the CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Authority"), the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public entity existing under the laws of the State of California (the "Successor Agency"), as successor agency to the Redevelopment Agency of the City and County of San Francisco (the "Former Agency"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as escrow trustee (the "Escrow Trustee").

W I T N E S S E T H:

WHEREAS, the Successor Agency is, simultaneously with the execution of this Agreement Regarding Redemption, issuing $____________ aggregate principal amount of its 2017 Series D Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (the "2017 Series D Bonds");

WHEREAS, the 2017 Series D Bonds are being issued, in part, for the purpose of providing moneys to refund a portion of the outstanding 2009 Series A Bonds (as hereinafter defined) and provide for the prepayment of the amounts owed by the Successor Agency under the 2009 Series A Loan Agreements (as hereinafter defined);

WHEREAS, in order to accomplish the refunding of a portion of the 2009 Series A Bonds and the 2009 Series A Loan Agreements, the Successor Agency will deposit, or cause to be deposited, a portion of the proceeds of the 2017 Series D Bonds and certain other moneys of the Successor Agency with the Escrow Trustee in accordance with this Agreement Regarding Redemption; and

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

Section 1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement Regarding Redemption shall have the respective meanings which such terms are given in Section 1.01 of the Indenture (hereinafter defined). In addition, the following terms defined in this Section 1 shall, for all purposes of this Agreement Regarding Redemption, have the respective meanings herein specified.

"Eligible Securities" shall have the meaning assigned to such term in Section 3 hereof.

"Escrowed Securities" shall have the meaning assigned to such term in Section 3 hereof.

"Indenture" means the Indenture of Trust, dated as of December 1, 2014, by and between the Successor Agency and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented and amended by a First Supplement to Indenture of Trust, dated as of _________ 1, 2017, by and between the Successor Agency and the Trustee, relating to the issuance of the 2017 Series D Bonds.

"Refunded 2009 Series A Bonds" means the 2009 Series A Bonds being refunded hereby, as identified in Exhibit A hereto.

"2009 Series A Bonds" means the Authority's $75,000,000 initial aggregate principal amount of 2009 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects).

"2009 Series A Indenture" means the Indenture of Trust dated as of September 1, 2009, between the Authority and U.S. Bank National Association, as trustee.

"2009 Series A Loan Agreements" means, collectively, (i) the Loan Agreement dated as of September 1, 2009, by and among the Former Agency, U.S. Bank National Association, as trustee, and the Authority relating to the Bayview Hunters Point Redevelopment Project Area - Project Area B and entered into in connection with the 2009 Series A Bonds, (ii) the Loan Agreement dated as of September 1, 2009, by and among the Former Agency, U.S. Bank National Association, as trustee, and the Authority relating to the Rincon Point - South Beach Redevelopment Project Area and entered into in connection with the 2009 Series A Bonds, (iii) the Loan Agreement dated as of September 1, 2009, by and among the Former Agency, U.S. Bank National Association, as trustee, and the Authority relating to the Transbay Redevelopment Project Area and entered into in connection with the 2009 Series A Bonds, (iv) the Loan Agreement dated as of September 1, 2009, by and among the Former Agency, U.S. Bank National Association, as trustee, and the Authority relating to the Western Addition Redevelopment Project Area A-2 and entered into in connection with the 2009 Series A Bonds and (v) the Loan Agreement dated as of September 1, 2009, by and among the Former Agency and U.S. Bank National Association, as trustee, and the Trustee relating to the Yerba Buena Center Approved Redevelopment Project Area D-1.

Section 2. Creation of Escrow Fund. There is hereby created and established with the Escrow Trustee a special and irrevocable escrow fund designated "2009 Series A Escrow Fund" (the "Escrow Fund") to be held in the custody of the Escrow Trustee in trust under this Agreement Regarding Redemption for the benefit of the beneficial owners of the Refunded 2009 Series A Bonds.

Moneys on deposit in the Escrow Fund shall be held in the custody of the Escrow Trustee solely for the benefit of the owners of the Refunded 2009 Series A Bonds. Except to the extent of any excess to be released as provided in Section 12 hereof, neither the Authority nor the Successor Agency shall have any interest in the funds held in the Escrow Fund. The moneys held hereunder shall be irrevocably pledged and set aside for the payment of the Refunded 2009 Series A Bonds and the 2009 Series A Loan Agreements as provided in Section 6 hereof.

Section 3. Deposit to the Escrow Fund. Concurrently with the execution and delivery of this Agreement Regarding Redemption, the Successor Agency shall deposit, or cause to be deposited, with the Escrow Trustee $___________ to be derived from the proceeds of the 2017 Series D Bonds $_________ to be derived from funds held under reserve and debt service accounts established under the 2009 Series A Loan Agreements [and $__________ of funds held by the Successor Agency], for a total deposit of $___________, which amounts the Successor Agency hereby instructs the Escrow Trustee to hold and use as provided in this Agreement Regarding Redemption.

The Escrow Trustee shall, on __________ __, 2017, use $________ of such amounts to purchase the securities listed on Schedule A attached hereto and made a part hereof (the "Escrowed Securities") (which securities the Successor Agency represents are Eligible Securities as hereinafter defined) maturing on the dates and in the amounts necessary to make the transfers described in Section 6 hereof. The remaining $_______ shall be held uninvested in cash.

For purposes of this Agreement Regarding Redemption, the term "Eligible Securities" means non-callable Defeasance Obligations (as defined in the 2009 Series A Indenture).

Section 4. Investment of Escrow Fund. The Escrow Trustee will purchase the Escrowed Securities in the name of the Escrow Trustee as provided in Section 3 above and will hold such Escrowed Securities, and any earnings received thereon and any reinvestment thereof in the Escrow Fund and disburse such amounts as provided herein. The Escrow Trustee shall collect amounts due and shall sell or otherwise liquidate investments in the Escrow Fund as needed to make the payments and transfers required by this Agreement Regarding Redemption and may sell, liquidate or otherwise dispose of the Escrowed Securities in accordance with Section 8 hereof and may substitute, upon the written direction of the Successor Agency, Eligible Securities subject to the terms and limitations of Section 8 hereof but otherwise shall have no power or duty to sell, transfer or otherwise dispose of the Escrowed Securities.

Section 5. Creation of Lien on Escrow Fund. The Escrow Fund created hereby shall be irrevocable, and the Escrow Trustee is hereby appointed to act for the benefit of the owners of the Refunded 2009 Series A Bonds, which are hereby granted an express lien on the Escrow Fund, and all moneys from time to time held therein, for the payment of amounts described in Section 6 below. The Escrow Trustee shall hold the moneys on deposit in the Escrow Fund separate and apart from, and not commingled with, any other moneys or investments.

Section 6. Use of Escrow Fund. The Escrow Trustee shall use the maturing Escrowed Securities, the interest earnings thereon, and amounts deposited in cash in the Escrow Fund to pay the principal and interest on the Refunded 2009 Series A Bonds to and including August 1, 2019, and the redemption price of the Refunded 2009 Series A Bonds maturing on and after August 1, 2020, on August 1, 2019. All amounts remaining in the Escrow Fund after the payment of all such debt service shall be transferred to or upon the direction of the Successor Agency and used to pay debt service on the 2017 Series D Bonds.

As a result of the deposit into and use of the Escrow Fund as described herein, all payment obligations of the Successor Agency under the 2009 Series A Loan Agreements have been discharged in full.

Section 7. Notice of Redemption. Not less than 30 days prior to August 1, 2019, the Escrow Trustee will mail to the owners of the Refunded 2009 Series A Bonds a notice of redemption as required by the 2009 Series A Indenture.

In addition to the notice of redemption referred to above, the Escrow Agent shall, within three (3) business days of receipt of the amounts set forth in Section 3 above, post a notice of defeasance relating to the Refunded 2009 Series A Bonds, in the form attached hereto as Appendix A, to the Municipal Securities Rulemaking Board Electronic Municipal Market Access (EMMA) system accessible at the emma.msrb.org website. The Escrow Trustee shall also send such notice of defeasance to the owners of the Refunded 2009 Series A Bonds.

Section 8. Reinvestment; Substitution; Liquidation. Interest income and other amounts received by the Escrow Trustee as payments on the Escrowed Securities shall be held as part of the Escrow Fund to be used for the purposes set forth in Section 6 of this Agreement Regarding Redemption and shall be invested by the Escrow Trustee in Eligible Securities but only at the written direction of the Authority and the Successor Agency, provided that (i) such amounts may only be invested in Eligible Securities and (ii) such investments shall have maturities which do not extend beyond the date on which the moneys so invested will be needed to make the transfers required by Section 6 of this Agreement Regarding Redemption.

If the Successor Agency and the Authority, at any time, deliver to the Escrow Trustee written instructions instructing the Escrow Trustee to liquidate, sell or otherwise dispose of any or all securities or investments in the Escrow Fund, to purchase or otherwise acquire Eligible Securities, and/or to release any moneys or securities therein to the Successor Agency, and further delivers to the Escrow Trustee, each of the following:

(a) a revised Schedule A (together with a certification by the Successor Agency that the securities or investments described therein are Eligible Securities);

(b) a report of a nationally recognized firm of independent certified public accountants verifying that the securities or investments described on such Schedule A will provide moneys (excluding reinvestment earnings), available in both time and amount, to enable timely payment of all amounts required in accordance with Section 6; and

(c) an opinion of nationally recognized bond counsel to the effect that the liquidation, sale or other disposition of securities or investments in the Escrow Fund, the purchase or other acquisition of securities or investments and the deposit thereof in the Escrow Fund, or the release of amounts from the Escrow Fund as described in this Section 8 will not result in loss of the exemption of interest on any of the 2009 Series A Bonds or the 2017 Series D Bonds from State of California personal income taxes;

then the Escrow Trustee shall liquidate, sell or otherwise dispose of the securities in the Escrow Fund, shall purchase (or retain) the securities or investments described in such revised Schedule A and transfer to the Successor Agency, free and clear of the lien of this Agreement Regarding Redemption, any and all amounts in the Escrow Fund not required for the purchase of the investments described on such revised Schedule A, all in accordance with such instructions from the Successor Agency referred to above.

Section 9. Liability of Escrow Trustee. The Successor Agency hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to the extent permitted by law to indemnify, protect, save and keep harmless the Escrow Trustee and its respective successors, assigns, agents, officers, directors, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Trustee at any time (whether or not also indemnified against the same by the Successor Agency or by any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement Regarding Redemption, the establishment hereunder of the Escrow Fund, the acceptance of the funds deposited therein, and any payment, transfer or other application of moneys by the Escrow Trustee in accordance with the provisions of this Agreement Regarding Redemption; provided, however, that the Successor Agency shall not be required to indemnify the Escrow Trustee against the Escrow Trustee's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Trustee's agents and employees or the willful breach by the Escrow Trustee of the terms of this Agreement Regarding Redemption. In no event shall the Successor Agency or the Escrow Trustee be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement Regarding Redemption and the resignation or removal of the Escrow Trustee.

The Escrow Trustee undertakes to perform only such duties as are expressly and specifically set forth in this Agreement Regarding Redemption and no implied duties or obligations shall be read into this Agreement Regarding Redemption against the Escrow Trustee.

The Escrow Trustee shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Trustee be liable for any special indirect or consequential damages.

The Escrow Trustee may consult with counsel of its own choice and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action hereunder in accordance with such opinion of counsel.

The Escrow Trustee shall not be responsible for any of the recitals or representations contained herein.

Whenever in the administration of this Agreement Regarding Redemption the Escrow Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Trustee, be deemed to be conclusively proved and established by a certificate of an authorized representative of the Successor Agency, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Trustee, be full warrant to the Escrow Trustee for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

The Escrow Trustee may at any time resign by giving written notice 30 days' prior to the proposed effective date of the resignation to the Authority and the Successor Agency of such resignation. The Authority and the Successor Agency shall promptly appoint a successor Escrow Trustee by the resignation date. Resignation of the Escrow Trustee will be effective upon acceptance of appointment by a successor Escrow Trustee. If the Authority and the Successor Agency do not appoint a successor within 45 days, the Escrow Trustee may petition any court of competent jurisdiction for the appointment of a successor Escrow Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Trustee.

The liability of the Escrow Trustee to make the payments required by Agreement Regarding Redemption shall be limited to the cash in the Escrow Fund.

The Escrow Trustee shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys deposited with it to pay the principal, interest, or premiums, if any, on the Refunded 2009 Series A Bonds.

No provision of this Agreement Regarding Redemption shall require the Escrow Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Escrow Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Trustee, or another method or system specified by the Escrow Trustee as available for use in connection with its services hereunder); provided, however, that the Successor Agency shall provide to the Escrow Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Successor Agency whenever a person is to be added or deleted from the listing. If the Successor Agency elects to give the Escrow Trustee Instructions using Electronic Means and the Escrow Trustee in its discretion elects to act upon such Instructions, the Escrow Trustee’s understanding of such Instructions shall be deemed controlling. The Successor Agency understands and agrees that the Escrow Trustee cannot determine the identity of the actual sender of such Instructions and that the Escrow Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Trustee have been sent by such Authorized Officer. The Successor Agency shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Trustee and that the Successor Agency and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Successor Agency. The Escrow Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Successor Agency agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Trustee, including without limitation the risk of the Escrow Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Successor Agency; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 10. Sufficiency of Escrow. The Authority agrees that if for any reason the moneys and other funds in the Escrow Fund are insufficient or otherwise unavailable to pay timely principal and premium of, and interest on, the Refunded 2009 Series A Bonds identified in Exhibit A hereto, the Authority shall continue to be liable therefor in accordance with the terms of the 2009 Series A Indenture.

Section 11. Successor Escrow Trustee. Any corporation, bank or association into which the Escrow Trustee and the trust created by this Agreement Regarding Redemption may be merged or converted or with which it may be consolidated, or any corporation, bank or association resulting from any merger, conversion, consolidation or tax-free reorganization to which the Escrow Trustee shall be a party or any corporation, bank or association succeeding to all or substantially all of the corporate trust business of the Escrow Trustee, shall, if satisfactory to the Successor Agency, be the successor Escrow Trustee under this Agreement Regarding Redemption without the execution or filing of any paper or any other act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 12. Termination. This Agreement Regarding Redemption shall terminate when all transfers and payments required to be made by the Escrow Trustee under the provisions of Section 6 hereof shall have been made and any moneys remaining in the Escrow Fund at the time of such termination shall have been distributed to the Successor Agency and the Escrow Trustee has made a final report to the Successor Agency.

Section 13. [Reserved].

Section 14. Severability. If any one or more of the covenants and agreements provided in this Agreement Regarding Redemption on the part of the Successor Agency or the Escrow Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement Regarding Redemption.

Section 15. Successors and Assigns. All of the covenants and agreements in this Agreement Regarding Redemption contained by or on behalf of the Successor Agency, the Authority and the Escrow Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 16. Compensation of Escrow Trustee. For acting under this Agreement Regarding Redemption, the Escrow Trustee shall be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Escrow Trustee in connection with its services under this Agreement Regarding Redemption; however, such amount shall never be payable from or become a lien upon the Escrow Fund, which fund shall be held solely for the purposes and subject to the lien set forth in Section 5 of this Agreement Regarding Redemption.

The Successor Agency covenants to indemnify and hold harmless the Escrow Trustee against any loss, liability or expense, including legal fees in connection with the performance of any of its duties hereunder, except the Escrow Trustee shall not be indemnified against any loss, liability or expense resulting from its negligence or willful misconduct. Such indemnification shall survive the termination of this Agreement Regarding Redemption.

Section 17. Governing Law. This Agreement Regarding Redemption shall be governed by the applicable laws of the State of California.

Section 18. Headings. Any headings preceding the text of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement Regarding Redemption, nor shall they affect its meaning, construction or effect.

Section 19. Amendments. This Agreement Regarding Redemption may be amended or supplemented in writing by the Successor Agency, the Authority and the Escrow Trustee, but only if the Successor Agency and the Authority comply with the provisions of Section 8, if applicable. No such amendment or supplement shall affect the lien or application of amounts in the Escrow Fund for the payment of the Refunded 2009 Series A Bonds, as contemplated hereby, and shall not otherwise materially adversely affect the interests of the holders of the Refunded 2009 Series A Bonds, all as evidenced by an opinion of counsel delivered to the Escrow Trustee, unless the holders of a majority in aggregate principal amount of the Refunded 2009 Series A Bonds consent to such amendment or supplement.

Section 20. Counterparts. This Agreement Regarding Redemption may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the City and County of San Francisco Redevelopment Financing Authority, the Successor Agency to the Redevelopment Agency of the City and County of San Francisco and U.S. Bank National Association, as Escrow Trustee, have each caused this Agreement Regarding Redemption to be executed, and U.S. Bank National Association, as trustee for the 2009 Series A Bonds, has caused this Agreement Regarding Redemption to be acknowledged, by their duly authorized officers as of the date first above written.

CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY

By:__________________________________
Treasurer

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

By:__________________________________
Deputy Director of
Finance and Administration

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Trustee

By:__________________________________
Authorized Officer

ACKNOWLEDGEMENT OF
U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE FOR THE 2009 SERIES A BONDS

U.S. Bank National Association, as Trustee for the 2009 Series A Bonds hereby acknowledges the provisions of this Agreement Regarding Redemption and, in particular, Section 7 hereof and, as such provisions are applicable to U.S. Bank National Association, in its capacity as Trustee for the 2009 Series A Bonds agrees to comply therewith. U.S. Bank National Association, as Trustee for the 2009 Series A Bonds, hereby also waives, pursuant to Section 2.03 of the 2009 Series A Loan Agreements, receipt of the written notice of the Successor Agency's intention to prepay the loans made from the proceeds of the 2009 Series A Loan Agreements.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee for the 2009 Series A Bonds

By:__________________________________
Authorized Officer

SCHEDULE A

Escrowed Securities

Maturity	Rate (%)	Par Amount	Price (%)	Purchase Cost	Accrued Interest	Total Purchase Cost

APPENDIX A

NOTICE OF DEFEASANCE

Notice to the Holders of Outstanding

$75,000,000
City and County of San Francisco
Redevelopment Financing Authority
2009 Series A Taxable Tax Allocation Revenue Bonds
(San Francisco Redevelopment Projects)

NOTICE IS HEREBY GIVEN that the City and County of San Francisco Redevelopment Financing Authority (the "Authority") has on _________ __, 2017 from the proceeds of sale of bonds and other sources, irrevocably set aside in an Escrow Fund created for such purpose and held by U.S. Bank National Association, San Francisco, California, as escrow trustee (the "Escrow Trustee") pursuant to an Agreement Regarding Redemption, Defeasance and Payment of 2009 Series A Bonds and 2009 Series A Loan Agreements, dated as of _______ 1, 2017 (the "Agreement Regarding Redemption"), by and among the Authority, the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”), and the Escrow Trustee, moneys which, when added to the investment earnings therefrom, shall be sufficient to pay the principal and interest on the portion of the captioned bonds identified below (the “Refunded Bonds”) to and including August 1, 2019, and the redemption price on the Refunded Bonds maturing on and after August 1, 2020 on August 1, 2019 calculated in accordance with the terms of the indenture of trust relating to the Refunded Bonds.

Maturity	Original Par	Original CUSIP	Defeased Amount	New Defeased CUSIP	Non-Defeased Amount	New Non-Defeased CUSIP
8/1/2019	$24,540,000	79771P P33				
8/1/2024	18,240,000	79771P P41				

In accordance with the terms of the indenture of trust relating to the Refunded Bonds, notice of redemption of the Refunded Bonds to be redeemed is required to be given by U.S. Bank National Association, as trustee (the “Trustee”) for the Refunded Bonds, on a date not more than 60 days or less than 30 days prior to the date fixed for redemption thereof.

The moneys so deposited in the Escrow Fund (as defined in the Agreement Regarding Redemption) (including the earnings derived from the investment thereof) are irrevocably pledged to the payment of principal or redemption price of and interest on the outstanding Refunded Bonds. Said moneys have been invested in obligations for the payment of which the full faith and credit of the United States of America is pledged and which bear interest and mature on such dates as to insure (according to the verification report delivered to the Escrow Trustee) the payment of all principal, premium, as applicable, and interest on the Refunded Bonds. Pursuant to the Agreement Regarding Redemption, the Successor Agency may substitute securities for those initially allocated to the Escrow Fund and withdraw moneys from the Escrow Fund subject to the terms and conditions set forth in the Agreement Regarding Redemption.

As a consequence of the foregoing actions and in accordance with the indenture of trust relating to the Refunded Bonds, the Refunded Bonds are no longer secured by a pledge of Revenues received by the Trustee, such pledge and the obligations and covenants of the Authority under said indenture of trust having been fully released and discharged, and the Refunded Bonds are payable solely from the moneys set aside in escrow as described above and, if necessary, from other legally available funds of the Authority.

Additional information regarding the foregoing actions may be obtained from U.S. Bank National Association, Global Corporate Trust Services, One California Street, Suite 2100, San Francisco, California 94111, telephone number (415) 677-3599.

Dated: ___________ __, 2017

U.S. BANK NATIONAL ASSOCIATION
as Escrow Trustee

EXHIBIT A

$75,000,000
City and County of San Francisco
Redevelopment Financing Authority
2009 Series A Taxable Tax Allocation Revenue Bonds
(San Francisco Redevelopment Projects)

Refunded Bonds

Maturity	Original Par	Original CUSIP	Defeased Amount	New Defeased CUSIP	Non-Defeased Amount	New Non-Defeased CUSIP
8/1/2019	$24,540,000	79771P P33				
8/1/2024*	18,240,000	79771P P41				

*To be redeemed on August 1, 2019 at a price of 100% of the principal amount thereof plus accrued interest thereon, without premium.

107-0912017-002

Agenda Item No. 5(A)
Meeting of July 10, 2017

MEMORANDUM

TO: Oversight Board

FROM: Nadia Sesay
Interim Executive Director

SUBJECT: Approving, under sections 34177.5(a)(1), and (f) and 34180(b) of the California Health and Safety Code, the issuance of refunding tax allocation bonds by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, and related actions; various project areas

EXECUTIVE SUMMARY

OCII proposes issuing two series of bonds: up to $165 million 2017D Taxable Subordinate Refunding Bonds (2017D) and up to $27 million 2017E Tax-Exempt Subordinate Refunding Bonds (2017E). The final size of the bonds is dependent on market conditions at the time of issuance.

The OCII Commission approved the issuance of these bonds on June 20, 2017 in Resolution 24-2017. This resolution approved in form several critical bond documents for each series, including the Bond Indenture, the Bond Purchase Agreement and the Redemption Agreements, all of which the Oversight Board (OB) and Department of Finance (DOF) must approve prior to issuance. The Commission resolution also approved the bond underwriter selections, authorized and directed OCII staff to take all actions necessary to complete the proposed transactions, requested the OB to make certain determinations, directed OCII to proceed with the transaction, and set forth the not-to-exceed limits for the principal amount of the bonds, the interest rate, and the underwriter's discount.

In order for OCII to submit the proposed issuances to DOF for approval, the OB must now approve OB Resolution 02-2017. Similar to OCII Commission Resolution 24-2017, OB Resolution 02-2017 approves the Bond Indenture and Bond Purchase Agreement for 2017D & 2017E. In addition, OB Resolution 02-2017 makes the findings requested by Commission Resolution 24-2017.

The proposed bond issuances are planned under the provisions of OCII's Debt Policy, which was last updated on August 19, 2014. Pending OB approval, staff will seek approval from DOF. OCII plans to close the proposed bonds in November 2017.

Staff recommends the OB approve Resolution 02-2017 to approve the issuance of up to $165 million 2017D Taxable Subordinate Refunding Bonds and up to $27 million 2017E Tax-Exempt Subordinate Refunding Bonds to refund outstanding debt to achieve debt service savings.

DISCUSSION

OCII's FY17-18 budget authorizes OCII to issue refunding bonds where savings can be achieved. OCII proposes to issue refunding bonds as described below: up to $165 million 2017D Taxable Subordinate Refunding Bonds and up to $27 million 2017E Tax-Exempt Subordinate Refunding Bonds. Refunding these bonds would reduce OCII's debt service costs and preserve funding for development costs associated with existing enforceable obligations.

Prior to the dissolution of redevelopment agencies, the Authority issued bonds utilizing a cross-collateralized credit. The cross-collateralized credit 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, for non-housing purposes, 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. This structure allowed OCII to bond against the collective strength of Project Areas, while adhering to the Redevelopment law requirement that tax increment generated in a Project Area be spent in that Project Area, except for affordable housing, which could be funded anywhere in the City and County of San Francisco. When OCII refunds bonds issued by the Authority, it must also refund the loan agreements related to those bonds.

Proposed Bonds

2017D is a taxable refunding bond and would be issued in an estimated par amount of $123 million. 2017D would refund up to five outstanding taxable bonds issued prior to Dissolution. Current candidates include 2009A, 2009B, 2009E, 2010A, and 2011A. The final size of the refunding may increase or decrease depending on market conditions. 2009B, issued on a tax-exempt basis, would be refunded on a taxable basis in order to preserve OCII's ability to expend up to $5 million in proceeds from the prior bonds that are held on reserve for enforceable obligations. Generally, refunding tax-exempt bonds on a taxable basis results in lower savings than refunding on a tax-exempt basis. Currently, the interest rate for tax-exempt and taxable bonds are very similar. Therefore the impact of refunding 2009B on a taxable basis is minimal. The final size of the refunding may increase or decrease depending on market conditions.

2017E would be issued in an estimated amount of $22 million and would refund up to two outstanding tax-exempt bonds issued prior to Dissolution. Current candidates include 2009F and 2011B.

Section 34177.5 of the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code for the purpose of achieving debt service savings provided that the following conditions are satisfied (the "Savings Parameters"): (A) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance.

To determine compliance with the Savings Parameters for 2017D and 2017E, OCII directed its Municipal Advisor, CSG Advisors, to prepare a debt savings analysis. A debt savings analysis identifies the potential savings of issuing a refunding bond. The debt savings analysis prepared by

CSG Advisors shows significant potential savings, in compliance with the Savings Parameters, as described below.

Exhibit 1 describes the sources and uses for the most conservative cases e.g., the highest interest rate assumption. The sources and uses are estimated and subject to change.

Exhibit 1:
Sources and Uses of Funds 2017 & 2017E

Sources of Funds	2017D	2017E
Par Amount	$ 122,855,000	$ 21,270,000
Net Premium / Discount		$ 2,235,420
Other Sources of Funds		
Prior Debt Service Reserve	$ 10,022,500	$ 2,224,500
Total Sources	**$ 132,877,500**	**$ 25,729,920**

Uses of Funds	2017D	2017E
Refunding Escrow Deposits		
SLGS Purchases	$ 131,842,402	$ 25,520,412
Cash Deposit	$ 1	$ 0
Delivery Date Expenses		
Cost of Issuance	$ 383,589	$ 66,411
Underwriter's Discount [1]	$ 448,421	$ 105,287
Reserve Surety (2.15%)	$ 202,302	$ 35,025
Additional Proceeds	$ 785	$ 2,785
Total Uses	**$ 132,877,500**	**$ 25,729,920**

[1] The underwriter's discount is the difference between the price the underwriter pays the issuer and price at which it sells the offering to the public and reflects the underwriter's fee for issuing the bonds.

The debt service savings analysis assumes an All-In True Interest Cost ("All-in TIC") of 4.44 percent for 2017D and 4.10 percent for 2017E. The All-In TIC is the real cost of issuing the proposed refunding bonds. As the All-In TIC includes all ancillary fees and costs, it is higher than the market interest rate. The All-In TIC in the debt service savings analysis is based on market conditions as of May 15, 2017, plus a 50 basis point (0.5 percent) cushion to account for market volatility. Given these parameters, OCII anticipates achieving $11.8 million net present value savings (10.3 percent) for 2017D and $2.6 million net present value savings (11.6 percent) for 2017E.

The projected savings for both 2017D and 2017E is greater than the savings required by the OCII Debt Policy, passed by the Commission in 2004. As per OCII's debt policy, and consistent with the Redevelopment Dissolution Law, each refunding should achieve an approximate minimum net present value savings of three percent of par for each refunded bond.
The final size of 2017D and 2017E will depend on market conditions and the economics of each refunding under consideration.

Credit
All bonds are issued against a credit. The credit is the revenue stream the issuer, in this case OCII,

will use to pay the debt service on the bonds. As previously described, the Authority issued bonds using a cross-collateralized credit in order to comply with the Redevelopment Law requirement that tax increment generated in a Project Area be spent in that Project Area, except for affordable housing, which could be funded anywhere in the City and County of San Francisco.
The Redevelopment Dissolution Law eliminated the restrictions on project area funding so long as any state-approved enforceable obligation exists. Therefore, post-Dissolution, OCII replaced the cross-collateralized credit with 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 the 2014B and 2014C refunding bonds secured by amounts deposited in the RPTTF with respect to certain Project Areas, after the payment of Existing Loan Agreements and other amounts. The proposed 2017D and 2017E bonds would be issued against the RPTTF credit and would be secured by such amounts in the RPTTF on a parity with, e.g. on the same terms as, the 2014B and 2014C bonds.

Additional details pertaining to the issuance of the subject bonds, including the credit structure, the structure of the bonds, and underwriter selection are contained in the attached OCII staff memo to the OCII Commission and in the Debt Service Saving Analysis prepared by the Financial Advisor.

PROPOSED ACTION

Approving the above described refunding bond issuances requires the OB to approve the Resolution 02-2017. The OCII Commission approved the issuance of the proposed bonds on June 20, 2017 by Resolution 24-2017. This resolution approved in form several critical bond documents for each series, including the Bond Indenture, the Bond Purchase Agreement and the Redemption Agreements, all of which must be approved by the Oversight Board (OB) and Department of Finance (DOF) prior to issuance. OCII Commission Resolution 24-2017 also approved the bond underwriter selections, authorized and directed OCII staff to take all actions necessary to complete the proposed transactions, requested the OB to make certain determinations, directed OCII to proceed with the transaction, and set forth the not-to-exceed limits for the principal amount of the bonds, the interest rate, and the underwriter's discount.

In order for OCII to submit the proposed issuances to the DOF for approval, the OB must now approve Resolution No. 02-2017. Similar to OCII Commission Resolution 24-2017, OB Resolution No. 02-2017 approves the Bond Indenture and Bond Purchase Agreement for the proposed refunding bonds. In addition, OB Resolution 02-2017 makes the findings requested by Commission Resolution No. 24-2017.

Staff recommends the OB approve Resolution 02-2017 to approve the issuance of up to $165 million 2017D Taxable Subordinate Refunding Bonds and up to $27 million 2017E Tax-Exempt Subordinate Refunding Bonds to refund outstanding debt to achieve debt service savings.

NEXT STEPS

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

July 12	Submission of documents to the California Department of Finance
September	Consideration of final authorizations by OCII Commission
September	Consideration of authorization by Redevelopment Financing Authority
October	Bond Pricing
November	Bond Closing

Unless specific, all dates are estimated. Timing of bond pricing may depend on market conditions.

CALIFORNIA ENVIORNMENTAL 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 John Daigle, Senior Financial Analyst)

Nadia Sesay
Interim Executive Director

Attachment A: OCII Staff Memorandum to Community Investment and Infrastructure Commission (June 20, 2017)

OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

Attachment A

107-0562017-002

Agenda Item **No. 5(d)**
Meeting of June 20, 2017

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, Interim Executive Director

SUBJECT: Authorizing the issuance of taxable and tax-exempt refunding tax allocation bonds captioned 2017 Series D Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) in an aggregate principal amount not to exceed $ 158,000,000 and 2017 Series E Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) in an aggregate principal amount not to exceed $27,000,000, approving and directing the execution of a first supplement to the Indenture of Trust, bond purchase contract and one or more redemption agreements, and approving other related documents and actions, various project areas

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EXECUTIVE SUMMARY

The Office of Community Investment and Infrastructure (OCII) proposes issuing two series of refunding bonds to refund certain loan agreements (the "2017 Refunded Loan Agreements") related to loans made by the City and County of San Francisco Redevelopment Financing Authority (the "Authority") to the former Redevelopment Agency of the City and County of San Francisco. The refunding bonds will refund up to seven outstanding bonds of the Authority (the "2017 Refunded Bonds"). The 2017 Series D bonds ("2017D") would have an estimated par of $123 million and would refund five prior series of 2017 Refunded Bonds. The 2017 Series E bonds ("2017E") would have an estimated par amount of $22 million and would refund two prior series of 2017 Refunded Bonds. Refunding the 2017 Refunded Bonds and the associated 2017 Refunded Loan Agreements would reduce OCII's debt service costs, increasing the amount of tax increment available to fund its enforceable obligations. In addition, the proposed refunding of certain bonds would allow OCII to preserve funding for enforceable obligations which remain in effect for several years.

Issuance of the 2017D and 2017E bonds requires Commission approval of Resolution 23-2017. Resolution 23-2017 approves in form documents necessary to seek Oversight Board and Department of Finance approval for the sale of 2017D and 2017E. The resolution sets forth not-to -exceed amounts for the bond principal amounts, interest rates, and underwriter's discount. The resolution also approves the underwriter selection and authorizes staff to take all actions necessary to complete the transaction.

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Subsequent OCII Commission and Financing Authority action will be required to approve the preliminary official statement and other final documents and actions.

Staff recommends the Commission approve Resolution 23-2017 to allow the refunding transactions to proceed.

DISCUSSION

OCII proposes issuing refunding bonds to refund up to seven outstanding bonds and related loan agreements issued by the former San Francisco Redevelopment Agency. Prior to the dissolution of redevelopment agencies, the Authority issued bonds utilizing a cross-collateralized credit. The cross-collateralized credit 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, for non-housing purposes, 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. This structure allowed OCII to bond against the collective strength of Project Areas, while adhering to the Redevelopment law requirement that tax increment generated in a Project Area be spent in that Project Area, except for affordable housing, which could be funded anywhere in the City and County of San Francisco. When OCII refunds bonds issued by the Authority, it must also refund the loan agreements related to those bonds.

OCII plans to issue two series of refunding bonds, 2017D and 2017E. 2017D would have an estimated par amount of approximately $123 million and would refund three taxable bonds and one tax-exempt bond and the related loan agreements. 2017E would have an estimated par amount of $22 million and would refund two tax-exempt bonds and related loan agreements. Refunding these bonds would reduce OCII's debt service costs and preserve funding for development costs associated with existing enforceable obligations. The FY16-17 budget authorizes OCII to issue refunding debt where savings can be achieved.

Proposed Bonds

2017D is a taxable refunding bond and would be issued in an estimated par amount of $123 million. 2017D would refund up to five outstanding taxable bonds issued prior to Dissolution. Current candidates include 2009A, 2009B, 2009E, 2010A, and 2011A. The final size of the refunding may increase or decrease depending on market conditions. 2009B, issued on a tax-exempt basis, would be refunded on a taxable basis in order to preserve OCII's ability to expend up to $5 million in proceeds from the prior bonds that are held on reserve for enforceable obligations. Generally, refunding tax-exempt bonds on a taxable basis results in lower savings than refunding on a tax-exempt basis. Currently, the interest rate for tax-exempt and taxable bonds are very similar. Therefore the impact of refunding 2009B on a taxable basis is minimal. The final size of the refunding may increase or decrease depending on market conditions.

2017E would be issued in an estimated amount of $22 million and would refund up to two outstanding tax-exempt bonds issued prior to Dissolution. Current candidates include 2009F and 2011B.

Section 34177.5 of the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code for the purpose of achieving debt service savings provided that the following conditions are satisfied (the "Savings Parameters"): (A) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance.

To determine compliance with the Savings Parameters for 2017D and 2017E, OCII directed its Municipal Advisor, CSG Advisors, to prepare a debt savings analysis. A debt savings analysis identifies the potential savings of issuing a refunding bond. The debt savings analysis prepared by CSG Advisors shows significant potential savings, in compliance with the Savings Parameters, as described below.

Exhibit 1 describes the sources and uses for the most conservative cases e.g., the highest interest rate assumption. The sources and uses are estimated and subject to change.

Exhibit 1:
Sources and Uses of Funds 2017 & 2017E

Sources of Funds		2017D		2017E
Par Amount	$	122,855,000	$	21,270,000
Net Premium / Discount			$	2,235,420
Other Sources of Funds				
Prior Debt Service Reserve	$	10,022,500	$	2,224,500
Total Sources	**$**	**132,877,500**	**$**	**25,729,920**

Uses of Funds		2017D		2017E
Refunding Escrow Deposits				
SLGS Purchases	$	131,842,402	$	25,520,412
Cash Deposit	$	1	$	0
Delivery Date Expenses				
Cost of Issuance	$	383,589	$	66,411
Underwriter's Discount [1]	$	448,421	$	105,287
Reserve Surety (2.15%)	$	202,302	$	35,025
Additional Proceeds	$	785	$	2,785
Total Uses	**$**	**132,877,500**	**$**	**25,729,920**

[1] The underwriter's discount is the difference between the price the underwriter pays the issuer and price at which it sells the offering to the public and reflects the underwriter's fee for issuing the bonds.

The debt service savings analysis assumes an All-In True Interest Cost ("All-in TIC") of 4.44 percent for the 2017D bonds and 4.10 percent for the 2017E bonds. The All-In TIC is the real cost of issuing the proposed refundng bonds. As the All-In TIC includes all ancillary fees and costs, it is higher than the market interest rate. The All-In TIC in the debt service savings analysis is based on market conditions as of May 15, 2017, plus a 50 basis point (0.5 percent) cushion to account for market volatility. Given these parameters, OCII anticipates achieving $11.8 million net present value savings (10.3 percent) for 2017D and $2.6 million net present value savings (11.6

percent) for 2017E.

The projected savings for both 2017D and 2017E is greater than the savings required by the OCII Debt Policy, passed by the Commission in 2004. As per OCII's debt policy, and consistent with the Redevelopment Dissolution Law, each refunding should achieve an approximate minimum net present value savings of three percent of par for each refunded bond.

The final size of 2017D and 2017E will depend on market conditions and the economics of each refunding under consideration.

Credit

All bonds are issued against a credit. The credit is the revenue stream the issuer, in this case OCII, will use to pay the debt service on the bonds. As previously described, the Authority issued bonds using a cross-collateralized credit in order to comply with the Redevelopment Law requirement that tax increment generated in a Project Area be spent in that Project Area, except for affordable housing, which could be funded anywhere in the City and County of San Francisco.

The Redevelopment Dissolution Law eliminated the restrictions on project area funding so long as any state-approved enforceable obligation exists. Therefore, post-Dissolution, OCII replaced the cross-collateralized credit with 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 the 2014B and 2014C refunding bonds secured by amounts deposited in the RPTTF with respect to certain Project Areas, after the payment of Existing Loan Agreements and other amounts. The proposed 2017D and 2017E bonds would be issued against the RPTTF credit and would be secured by such amounts in the RPTTF on a parity with, e.g. on the same terms as, the 2014B and 2014C bonds.

Financing Team

OCII issues bonds with the assistance of a financing team composed of experts in issuing public debt. The financing team is composed of a Municipal Advisor, Bond Counsel, Disclosure Counsel, Fiscal Consultant, and Underwriter.

<u>Municipal Advisor</u>

The Municipal Advisor ("MA") oversees the financing process and opines on the pricing. The MA for 2017D and 2017E is CSG Advisors. OCII selected CSG Advisors via a competitive process issued to the City's Financial Advisor Pool. The Commission approved the CSG Advisors contract on October 4, 2016 by OCII Resolution 44-2016.

<u>Bond Counsel</u>

Bond Counsel ensures and opines that all required steps are taken to ensure the bonds are compliant with legal and regulatory requirements. Bond Counsel for 2017D and 2017E is Jones Hall. OCII selected Jones Hall via a competitive process issued to the City's Bond Counsel pool. The Commission approved the Jones Hall Contract on August 2, 2016 by OCII Resolution 38-2016. The Executive Director amended the contract as described in a

December 6, 2016 memo to the Commission.

Disclosure Counsel
Disclosure Counsel drafts and guides the content of the disclosure document used to market the bonds. Disclosure Counsel for 2017D and 2017E is the Law Offices of Alex Chiu. Chiu was selected via a competitive process issued to the City's Bond Counsel pool. The Commission approved the Chiu contract on August 2, 2016 by OCII Resolution 36-2016. The Commission will consider an amendment to the contract's not-to-exceed amount and Scope of Service on June 20, 2017.

Fiscal Consultant
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 issuance 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. The Fiscal Consultant for 2017D and 2017E is Urban Analytics. OCII selected Urban Analytics via a competitive process issued to the City's Fiscal Consultant pool. The Commission approved the Urban Analytics contract on December 15, 2015 by OCII Resolution 80-2015 and amended the contract on December 6, 2016 by OCII Resolution 55-2016, which modified Scope of Service to include refunding bonds and increased the not-to-exceed amount commensurately.

Underwriter
The Underwriter markets, purchases, and sells the bonds. The Underwriters for 2017D and 2017E are Piper Jaffrey & Co., Steifel, Nicolaus, & Co. and Stinson Securities, LLC.

OCII selected the underwriters via a competitive process issued to the City's Underwriter pool. OCII staff directed CSG Advisors (CSG), the MA for the proposed transactions, to issue a Request for Proposals (RFP) for bond underwriting services. CSG issued the RFP on December 19, 2016 and received 12 responses: Backstrom McCarley Berry & Co., Blaylock Beal Van, LLC, Citigroup Global Markets, Mesirow Financial, Inc., Morgan Stanley, Piper Jaffray & Co ("Piper"), RBC Capital Markets, Rice Financial Products Co, Stern Brothers & Co, Stifel, Nicolaus & Company, Inc. ("Stifel"), Stinson Securities, LLC ("Stinson") and Wells Fargo Securities.

A panel composed of Scott Smith of CSG, Jamie Querubin of the City Controller's Office of Public Finance, and John Daigle, OCII Senior Financial Analyst evaluated the proposals based on:

- 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 prior transactions 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 2017D and 2017E. Based on its strong position in the sale of post-Dissolution redevelopment debt, as well as its prior experience underwriting OCII bonds issued under the cross-collateralized credit, the panel recommended Piper Jaffray as senior manager. Based on its prior performance working on OCII issuances, most recently the 2017A and 2017B bonds, and its extensive presence in the California tax allocation bond market, the panel recommended Stifel as co-manager. Pursuant to OCII's Small Business Enterprise (SBE) policy goals, the panel also recommended Stinson as co-manager. Stinson has provided OCII satisfactory service as a co-manager in the past. Of the firms in the SBE category, the panel ranked Stinson the highest.

PROPOSED ACTION

Approving the above described refunding bond issuances requires the Commission to approve the Resolution 23-2017. Resolution 23-2017 authorizes the issuance of the 2017D taxable refunding bonds in a principal amount not-to -exceed $158 million and the 2017E tax-exempt refunding bonds in a principal amount not-to-exceed $27 million. Based on current market conditions, OCII expects to issue 2017D in the par amount of $123 million and 2017E in the principal amount of about $22 million.

For 2017D, the difference between the estimated size of the issue and the maximum authorization amount is to allow for two possible scenarios: the taxable refunding of additional tax-exempt bonds to accommodate an unforeseen federal tax issue; and, the need to cash fund a debt service reserve, rather than using a surety bond as currently expected. In the first case, some bonds would move from 2017E to 2017D increasing the size of 2017D. In the second case, more bonds would have to issued in order to provide funding for the 2017D debt service reserve.

For 2017E, the difference between the estimated size of the issue and the maximum authorization allows for the cash funding of the debt service reserve as described above and, secondly, allows for market conditions where investors are willing to pay a lesser premium than they are currently. The lower premium (amount by which the price paid for the bonds is higher than the par amount of the bonds) would require a higher par amount to generate funds sufficient to complete the refundings.

In support of these issuances, the Resolution approves a first supplement to the indenture of trust, the bond purchase agreements, and the redemption agreements for each of the 2017 Refunded Loan Agreements and 2017 Refunded Bonds. 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 and directs staff to take all necessary actions to close the proposed transactions.

Staff recommends the Commission approve Resolution 23-2017 in support of 2017D and 2017E.

NEXT STEPS

Pending approval of Resolution 23-2017, staff will request approval of the 2017D and 2017E bond issuances from the Oversight Board. Pending Oversight Board approval, staff will request approval of the 2017D and 2017E issuances from the Department of Finance. Pending Department of Finance approval, staff anticipate issuing the bonds prior to December 31, 2017.

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 John Daigle, Senior Financial Analyst)

Nadia Sesay
Interim Executive Director