107-0512025-002

Agenda Item **No. 5(B)**
Meeting of August 6, 2025

MEMORANDUM

TO: Oversight Board

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Approving, under Sections 34177.7(a)(1)(A), 34177.7(a)(1)(B), 34177.7(f) and 34180(b) of the California Health and Safety Code, the issuance of new money tax allocation bonds by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, and related actions; affordable housing obligations; Transbay infrastructure obligations

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EXECUTIVE SUMMARY

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco, also known as the Office of Community Investment and Infrastructure (the "Successor Agency" or "OCII"), proposes issuing one or more series or subseries of new money tax allocation bonds (the "Bonds") to fund affordable housing and Transbay infrastructure improvements, in an aggregate principal amount not exceeding $175 million. If approved, OCII staff currently anticipates that the Bonds will consist of two series captioned as the 2026 Series A Taxable Third Lien Tax Allocation Bonds (Affordable Housing and Transbay Infrastructure Projects) ("2026A Bonds") and the 2026 Series B Third Lien Tax Allocation Bonds (Transbay Infrastructure Projects) ("2026B Bonds").

As described in OCII's fiscal year annual budget, staff anticipates using a portion of the proceeds from the 2026A Bonds (taxable) to fund the following affordable housing:

- Mission Bay South (Block 4 East A predevelopment and construction)
- Candlestick Point (Block 11A predevelopment)

Project(s) Description: Block 4 East A is a 165 unit affordable housing rental project slated to begin construction in Q2 2027 and is being developed by Curtis Development and Bayview Hunters Point Multipurpose Senior Services. Block 11A is a 176 unit affordable housing rental project slated to begin construction in Q3 2028 and is being developed by Mercy Housing of California with San Francisco Housing Development Corporation.

In Transbay Under Ramp Park ("URP"), infrastructure improvements will be funded by a combination of taxable and tax-exempt Bonds:

- 2026A Bonds, private use portion (taxable bonds)
- 2026B Bonds, public use portion (tax-exempt bonds)

Project(s) Description: The URP will be a 2.4-acre park under the Transbay neighborhood elevated ramps. The park's construction is slated to begin Q2 2026, however some amount of remediation will be required and will require further environmental investigations. The construction start is also subject to further design and permitting work, as well as property-owner approvals from Caltrans and the Transbay Joint Powers Authority. At this stage, OCII seeks the authority to issue bonds for URP but may delay the issuance pending final review of site conditions (see the below Bond issuance schedule in Table 4: Next Steps)

Issuing the Bonds requires the Oversight Board to approve a resolution approving the issuance of new money tax allocation bonds and related actions. The related actions include: making certain findings, approving the Third Supplemental Indenture of Trust and the Bond Purchase Contract, and authorizing OCII staff to take all actions necessary to execute the transaction.

After Oversight Board approval, staff will submit the Oversight Board's resolution approving the proposed issuance to the California Department of Finance ("DOF") for its review. If DOF fails to request review or approves the issuance, the Commission will consider additional action to finalize the bond issuance.

Staff recommends the Oversight Board authorize the issuance of the Bonds to fund affordable housing and Transbay infrastructure as described herein, subject to Department of Finance approval.

DISCUSSION

The FY 25-26 Budget, as approved by the Board of Supervisors ("BOS") on July 15, 2025, authorizes OCII to issue new money tax allocation bonds to fund affordable housing, Transbay infrastructure, and Mission Bay South infrastructure, in an aggregate principal amount not-to-exceed \$223 million. This not-to-exceed amount was projected based on information available during OCII's FY 25-26 Budget preparation process.

Of this aggregate FY 25-26 Budget not-to-exceed amount, OCII plans to issue the proposed Bonds, currently anticipated to be comprised of 2026A Bonds (taxable) and 2026B Bonds (tax-exempt), to fund affordable housing and Transbay infrastructure in a combined principal amount not-to-exceed \$175 million. The not-to-exceed computation done during the budget process is shown below:

Table 1: Not-To-Exceed Sources and Uses

Sources	2026A (Taxable)	2026B (Tax-Exempt)	Total
Bond Proceeds	$141,755,000	$17,380,016	$159,135,016
~10% Contingency	14,165,000	1,699,984	15,864,984
Total Sources	**$155,920,000**	**$19,080,000**	**$175,000,000**
Uses			
Affordable Housing Project Fund	$100,000,000	$ -	$100,000,000
Transbay Project Fund	20,000,000	15,000,000	35,000,000
Debt Service / Reserve Fund	20,751,606	2,268,667	23,020,273
Transaction Costs	1,003,394	111,349	1,114,743
~10% Contingency	14,165,000	1,699,984	15,864,984
Total Uses	**$155,920,000**	**$19,080,000**	**$175,000,000**

Current estimates for sources and uses of the Bonds are described below:

Table 2: Current Estimate Sources and Uses (w/o Contingency)

Sources	2026A (Taxable)	2026B (Tax-Exempt)	Total
Bond Principal	$132,260,000	$13,750,000	$146,010,000
Premium		917,441	917,441
Total Sources	**$132,260,000**	**$14,667,441**	**$146,927,441**
Uses			
Affordable Housing Project Fund	$97,832,000	$ -	$97,832,000
Transbay Project Fund	20,000,000	13,052,000	33,052,000
Debt Service Reserve Fund	13,226,000	1,375,000	14,601,000
Cost of Issuance	802,554	197,446	1,000,000
Underwriter's Discount	396,780	41,250	438,030
Additional Proceeds	2,666	1,744	4,411
Total Uses	**$132,260,000**	**$14,667,441**	**$146,927,441**

The components of the Total Uses are defined below:

1. *Project Fund:* Monies in the project funds will be used to fund affordable housing and Transbay infrastructure projects.

2. *Debt Service Reserve Fund:* Cash or a debt service reserve insurance policy in the debt service reserve fund provide additional bondholder security and serve as a backstop should OCII be unable to make debt service payments. Debt service reserve funds are standard in a tax allocation bond structure.

3. *Cost of Issuance:* The cost of issuance is the cost of consultants, such as municipal advisor, bond counsel, disclosure counsel, and the property tax consultant, as well as the cost of OCII staff time required to issue the bonds.

4. *Underwriter's Discount:* The underwriter's discount is the difference between the price the underwriters pay the issuer and the price at which they sell the bonds to the public. The underwriter is the financial intermediary reselling the bonds to investors and the underwriter's discount reflects the underwriter's fee for selling the bonds.

5. *Bond Underwriter:* A bond underwriter is a financial intermediary, typically an investment bank, that purchases bonds from an issuer (like a corporation or government) with the intention of reselling them to investors. They play a crucial role in the bond issuance process, assessing risk, pricing the bonds, and facilitating their sale to the public.

6. *Additional Proceeds*: Balance the sources and uses and will be allocated to the project funds when the issuance numbers are finalized.

The proposed resolution authorizes OCII to issue up to $175 million of the $223 million authorized in the FY 25-26 Budget. The actual issuance amounts will be finalized in the weeks before the Bonds are issued and will be based on the most up-to-date project costs and market conditions. OCII will only issue the amount of bonds necessary to fund project costs. OCII's use of Bonds to fund affordable housing and Transbay infrastructure, both long-term capital assets, is an appropriate use of long-term debt.

Enabling Authority

The proposed Bonds would be issued pursuant to Sections 34177.7(a)(1)(A) and 34177.7(a)(1)(B) of the California Health and Safety Code, which gives OCII specific authority, with approval of the Oversight Board and DOF, to issue bonds to fund its Affordable Housing Obligations in Mission Bay, Transbay, and the Candlestick Point-Hunters Point Shipyard areas and to fund infrastructure required by the Transbay Implementation Agreement.

OCII's Affordable Housing Obligations were established under certain development agreements approved by DOF as enforceable obligations. These development agreements are:

- Disposition and Development Agreement (Hunters Point Shipyard Phase 1)
- Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard)
- Mission Bay North Owner Participation Agreement
- Mission Bay South Owner Participation Agreement
- Transbay Implementation Agreement

Together, these agreements constitute OCII's Affordable Housing Obligation of approximately 4,334 affordable housing units. As of June 30, 2023, 2,101 units of OCII's Affordable Housing Obligation were complete, 330 were in construction, and 662 were in predevelopment. Proceeds from the proposed Bonds would provide funding for the completion of 341 units, or 15 percent of OCII's remaining Affordable Housing Obligation.

Proposed Action

As a first step in issuing the proposed Bonds, the OCII Commission has approved, by Resolution No. 23-2025 (July 15, 2025) (the "Successor Agency Resolution"), an authorization of the proposed issuance, approving and directing the execution of the Third Supplement to Indenture of Trust and of the Bond Purchase Contract, and authorizing and directing OCII staff to take all actions necessary to complete the proposed transaction, subject to the approval of the Oversight Board and DOF.

Proposed Issuance

OCII staff currently anticipates that OCII will issue two series of new money tax allocation bonds: the 2026A Bonds (taxable) and 2026B Bonds (tax-exempt) in a combined principal amount not-to-exceed $175 million. The Bonds will be secured by property tax revenues generated from certain former and current redevelopment areas, as depicted in the 2023 Series A&B Third Lien Tax Allocation Bonds' Official Statement.

The Bonds will comply with the provisions of the Successor Agency's debt policy (the "Debt Policy"), adopted by Resolution 32-2021 of the Commission on October 5, 2021, unless such compliance is waived in accordance with the Debt Policy. A portion of the proceeds of the 2026A Bonds are programmed for several affordable housing funding actions proposed in the FY 2025-26 budget. Details on the proposed affordable housing projects that may be funded with proceeds of the 2026A Bonds are summarized below.

Table 3: Affordable Housing Project Detail

Project Area	Project Name	Units
Mission Bay South	Block 4 East A	165
Candlestick Point	Block 11A	176
Total		**341**

A portion of the proceeds of the 2026A Bonds, along with the proceeds of the 2026B Bonds, are programmed for the URP in the Transbay Project Area. If these projects are delayed or otherwise not ready for funding, OCII may delay the Bonds' issuance altogether.

Determinations Requested by the Successor Agency

In the Successor Agency Resolution, the Commission requested the Oversight Board to make certain determinations upon which the Successor Agency will rely in undertaking the proceedings necessary for the issuance of the Bonds. These determinations include:

- authorizing OCII to recover its issuance costs from the proceeds of the Bonds,
- authorizing OCII to expend bond proceeds to finance Affordable Housing Obligations and Transbay Project Area Infrastructure Obligations, and to pay costs of issuance of the Bonds,
- authorizing OCII to receive its full Administrative Cost Allowance ("ACA") without any deductions related to continuing post-issuance compliance and administrative costs related to the Bonds, and
- entitling OCII to recover costs of issuance incurred with respect to the issuance of the Bonds from property tax without reduction in its ACA.

The ACA is the property tax, paid to the agency from the Redevelopment Property Tax Trust Fund ("RPTTF"), that OCII may use to fund its administrative costs. The RPTTF is a fund that pools property tax revenues generated from certain former and current redevelopment areas. The proposed resolution makes the determinations required by the Health and Safety code.

Third Supplement to Indenture of Trust and Bond Purchase Contract

The proposed resolution approves the form of the Third Supplement to Indenture of Trust ("Third Supplement"), which is a contract between OCII and U.S. Bank Trust Company, National Association, the trustee. The Third Supplement describes 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 Bonds. The Third Supplement amends the indenture (the "Original Indenture") for the 2017 Series A Taxable Third Lien Tax Allocation Bonds ("2017A Bonds") and 2017 Series B Third Lien Tax Allocation Bonds ("2017B Bonds"). Therefore, the proposed 2026A and 2026B bonds must abide by the contractual terms established in the indenture for the 2017A Bonds and 2017B Bonds, except as amended by the Third Supplement.

The proposed resolution also approves, to the extent the Bonds are issued in one or more series or subseries at different times, the issuance of such other Bonds pursuant to one or more supplemental indentures to the Original Indenture (each an "Additional Supplement"), substantially in the form of the Third Supplement, with such additions thereto or changes therein as are approved by an Authorized Officer upon consultation with the Successor Agency's General Counsel and Bond Counsel. Any Additional Supplement(s) are subject to the aggregate not-to-exceed amount of $175 million.

The proposed resolution also approves the form of the Bond Purchase Contract, which is a contract between OCII and the underwriters of the Bonds and describes the terms and conditions for the purchase and sale of the Bonds. The Bond Purchase Contract describes the principal amount, the underwriter's discount, and the coupons and yields, all of which will be determined at pricing. The underwriter's discount is the difference between the price the underwriters pay the issuer and the price at which they sell the bonds to the public. The underwriter's discount reflects the underwriter's fee for issuing the bonds. All these factors will be finalized at bond pricing and will determine OCII's cost of borrowing, provided they do not exceed the amounts established by the proposed resolution.

The proposed resolution also authorizes and directs, to the extent the Bonds are issued in one or more series or subseries at different times, each Authorized Officer, without the further approval of the Oversight Board, the DOF, or any other person or entity, to execute and deliver each one or more additional bond purchase contracts (each an "Additional Purchase Contract"), substantially in the form of the Bond Purchase Contract, 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. Any Additional Purchase Contract(s) are subject to the aggregate not-to-exceed amount of $175 million.

The resolution provisions authorizing Additional Supplements and Additional Purchase Contracts allow OCII the flexibility to execute and deliver the documentation required to issue additional series of bonds beyond the 2026A Bonds and 2026B Bonds. This authorization is being sought in the event that one or more projects are delayed and it becomes beneficial to split the issuance of 2026A Bonds and/or 2026B Bonds into multiple separate bond issuances. If additional series of bonds are issued beyond the 2026A Bonds and 2026B Bonds, all series issued under this authorization would still be subject to the aggregate not-to-exceed amount of $175 million.

Actions Necessary to Complete the Proposed Transaction

The proposed resolution authorizes and directs OCII staff to take all actions necessary to complete the proposed Bond transaction. The table below identifies the critical next steps required to complete the transaction.

Table 4: Next Steps

August 6	Oversight Board consideration of OCII's authorizing resolution
August 11	Submission of approved Oversight Board resolution and related documents to DOF for review and approval
October 15	Final date for DOF determination regarding issuance
November 18	After DOF approval, Commission consideration of preliminary official statement and other actions necessary for issuance
December 10	Bond pricing, interest rates set
January 6, 2026	Bond closing, funds received

Municipal Advisor's Analysis

Attached to the Successor Agency Resolution is the Municipal Advisor's Analysis. The Municipal Advisor's Analysis was prepared by the municipal advisor and is required by Section 34177.7(i) of the Government Code. The analysis confirms that the proposed financing meets the requirements of the law as set forth in Section 34177.7(i) of the Health and Safety Code. The analysis affirms that OCII has made diligent efforts to ensure it obtains the lowest long-term cost of financing, the proposed Bond issuance does not provide for any bullets or spikes and does not use variable interest rates, and OCII has made use of an independent financial advisor.

California Environmental Quality Act

The issuance and sale of the new money tax allocation bonds do not constitute a "project," as defined under CEQA Guidelines Section 15378(b)(4), because the actions will not independently result in a physical change in the environment and are therefore not subject to environmental review under CEQA.

(Originated by Nick Jones, Debt Manger)

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