

Deal Spotlight: Tax Allocation Bonds

City and County of San Francisco Redevelopment Financing Authority, California Mission Bay North Redevelopment

\$34,510,000

UW: UBS Securities LLC

2006 Series B

Dated Date: 8/24/06

Ratings: Aa3/AA (S&P)

Underlying Rating: BBB (S&P)

The City and County of San Francisco (the “City”) issued tax allocation bonds on behalf of the Mission Bay North Redevelopment Project Area (the “Project Area”). The Project Area is a 65-acre area located in the southeastern section of San Francisco. The City, through its Financing Authority, issued bonds in two tranches. The first tranche of \$15.5 million will reimburse the Developer (Catellus Corp.) for infrastructure improvements and pay issuance costs. Proceeds from the second tranche of \$19 million will be held in escrow until the top taxpayer represents less than 33% of Assessed Value (AV).

The completed development will include approximately 3,000 residential units and 164,000 square feet of commercial and residential space. AV of the Project Area is \$516 million while Incremental Assessed Value (IAV) is \$484 million, concentrated with two taxpayers: Third & King Investors (46%) and Avalon Bay Communities (19%). Third & King operates a residential complex, which recently underwent a successful apartment to condominium conversion, reducing direct exposure to Third & King as individual homeowners purchased the units. Avalon will operate two apartment complexes, which includes retail space.

Maximum annual debt service (MADS) coverage on the bonds is 1.35x. The bonds were structured with an additional bonds test (ABT) of 2.0x MADS as long as the largest taxpayer accounts for more than 33% of AV. The ABT will reduce to 1.25x MADS once the top taxpayer accounts for less than 20% of AV.

The City accessed the market at lower interest rates based on Radian’s “AA” ratings. Attached are sample maturities with their spread to the Municipal Market Data Line (MMDL) AAA GO Index.

Series B

Maturity	2026	2030	2036
Coupon	5.00%	4.625%	5.00%
Yield	4.64%	4.83%	4.73%
Spread to MMDL High Grade (bps)	+38	+49	+34

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