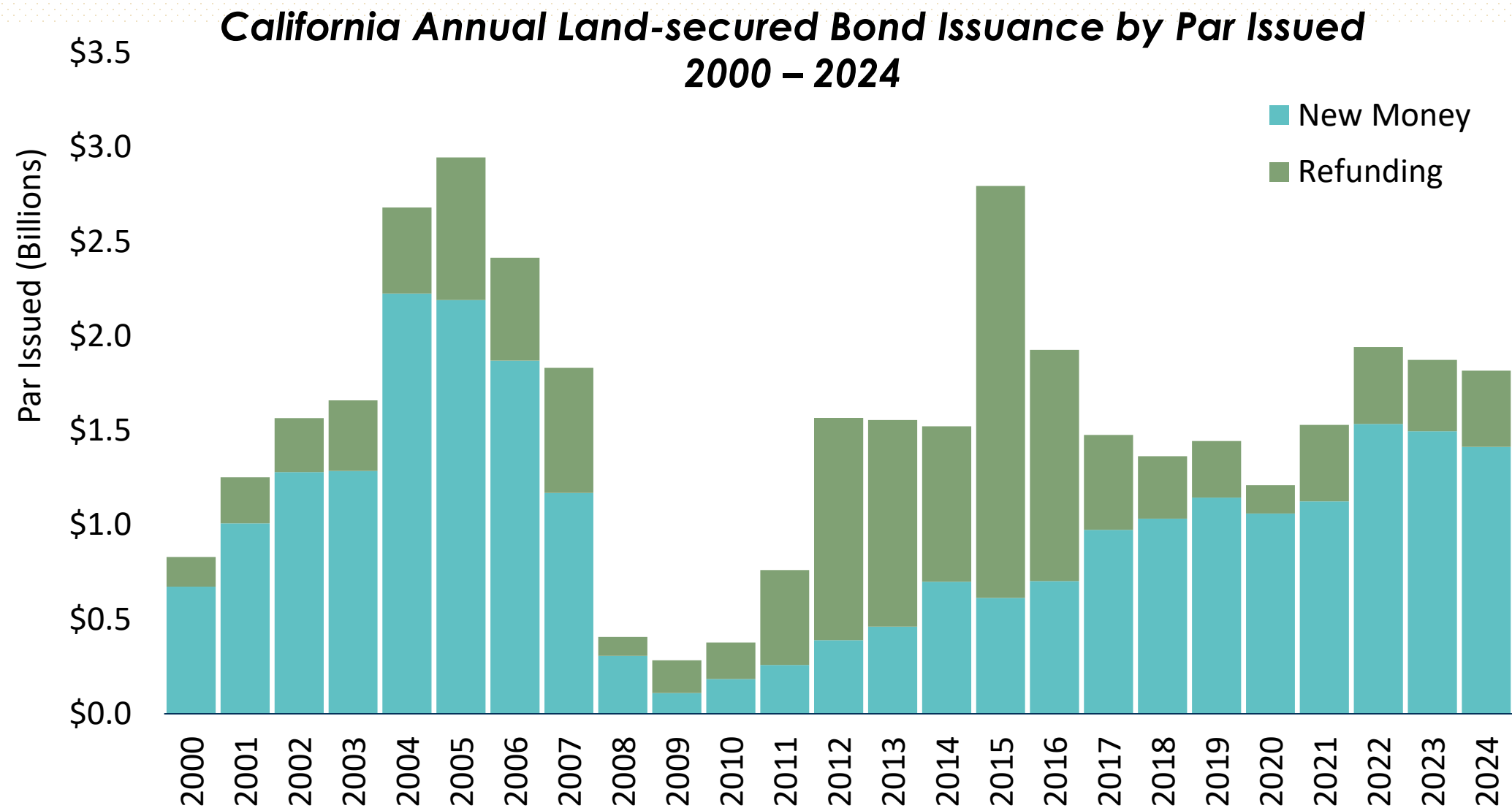


# SESSION FIVE

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## Land-Secured Financing Market Trends and Challenges

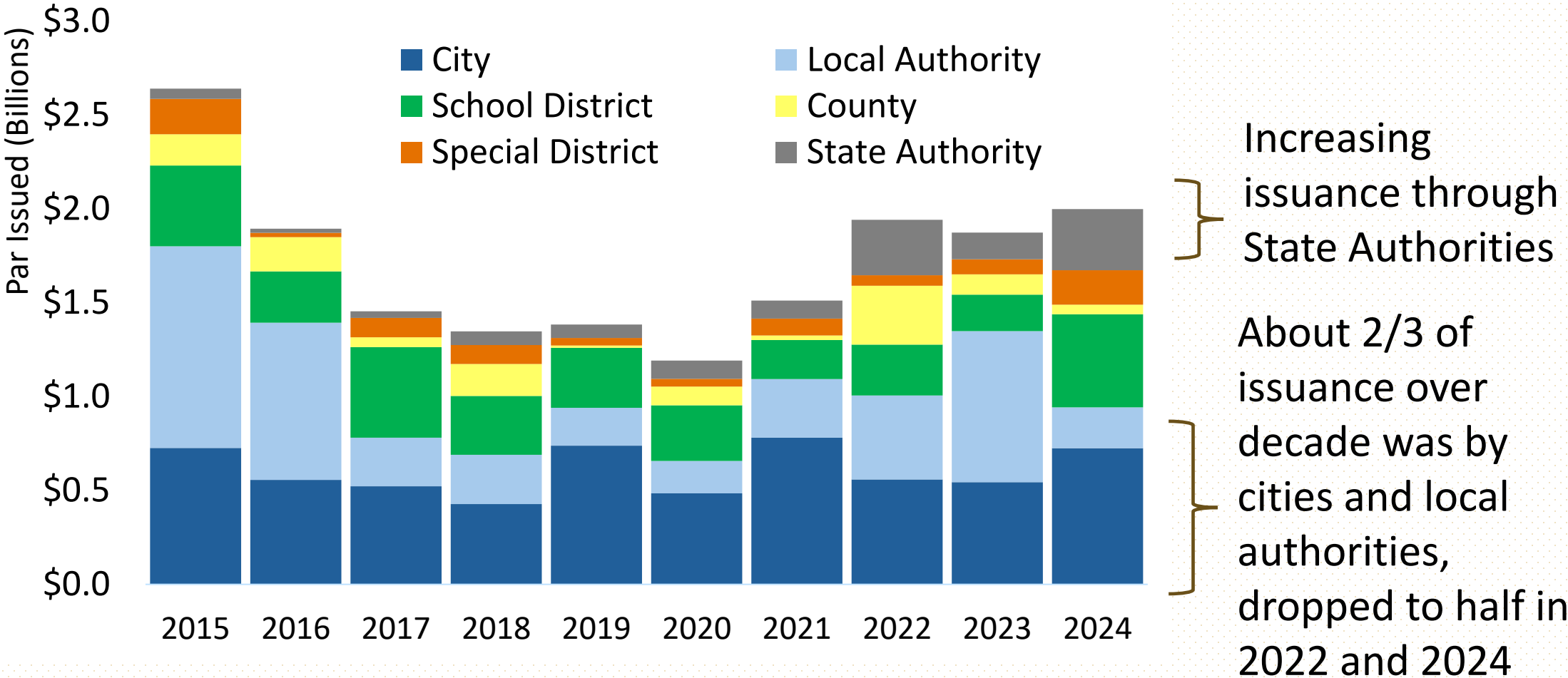
# California Land-Secured Bond Market



Source: Lipper, Thomson Reuters as 1/8/2025

# Land-Secured Issuance by Type of Issuer

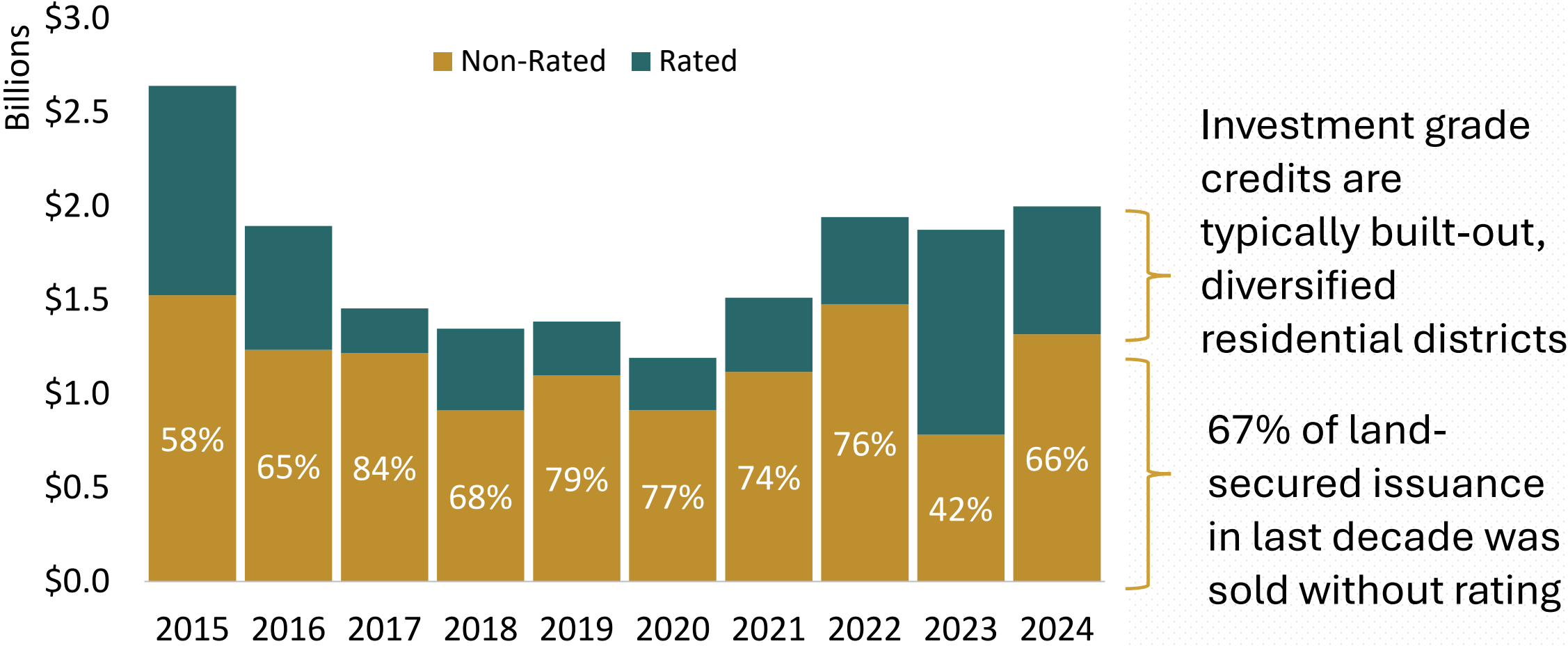
*Total Par Amount by Type of Issuer, 2015-2024*



Source: Lipper, Thomson Reuters as 1/8/2025

# Land-Secured Bond Sales: Rated or Non-Rated

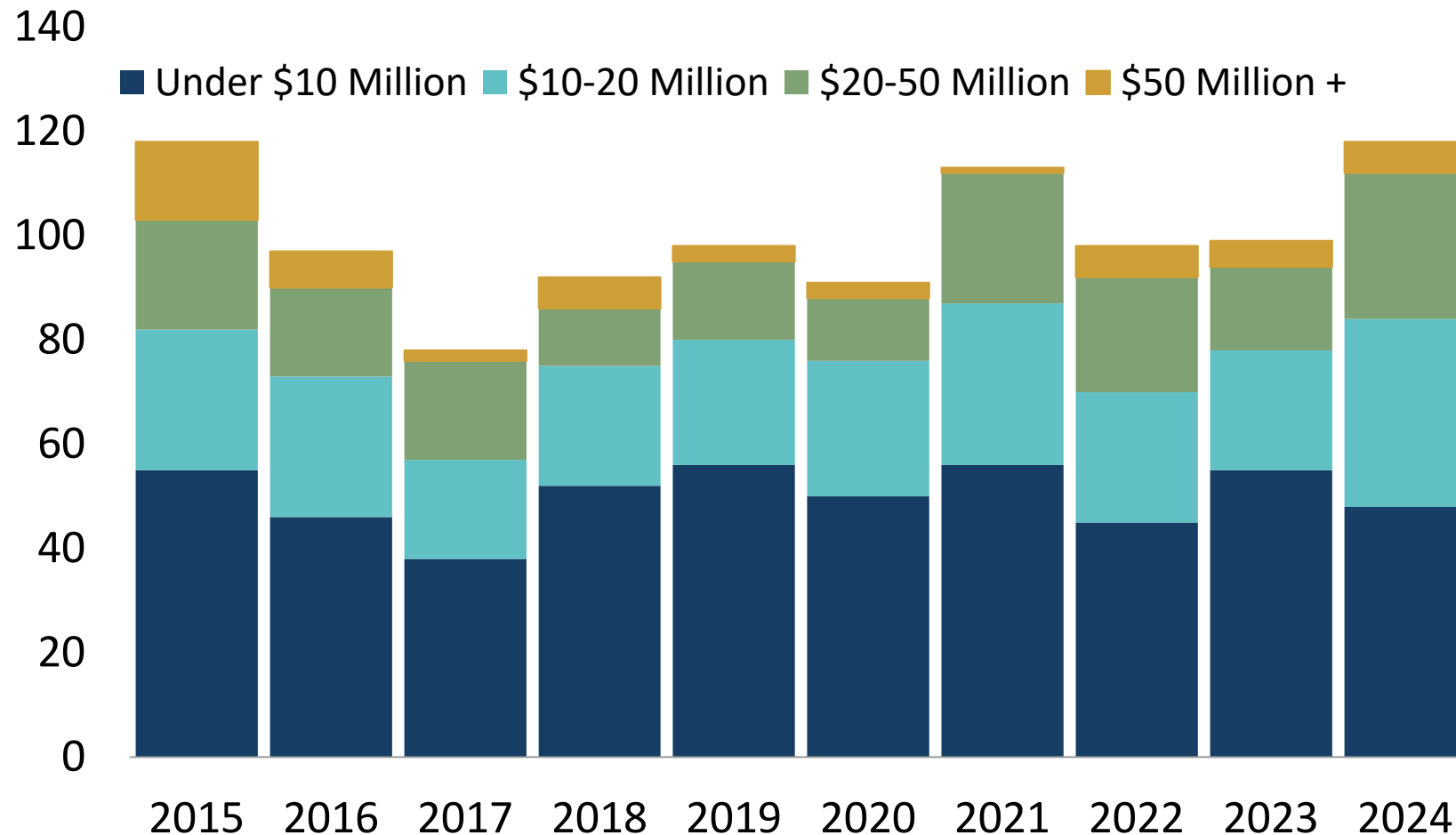
*Total Par Amount Issued With and Without Ratings, 2015-2024*



Source: Lipper, Thomson Reuters as 1/8/2025

# Land-Secured Issuance by Size of Bond Sale

## Number of Bond Sales by Size of Issue, 2015-2024



5% of issues and 1/3<sup>rd</sup> of par > \$50 million

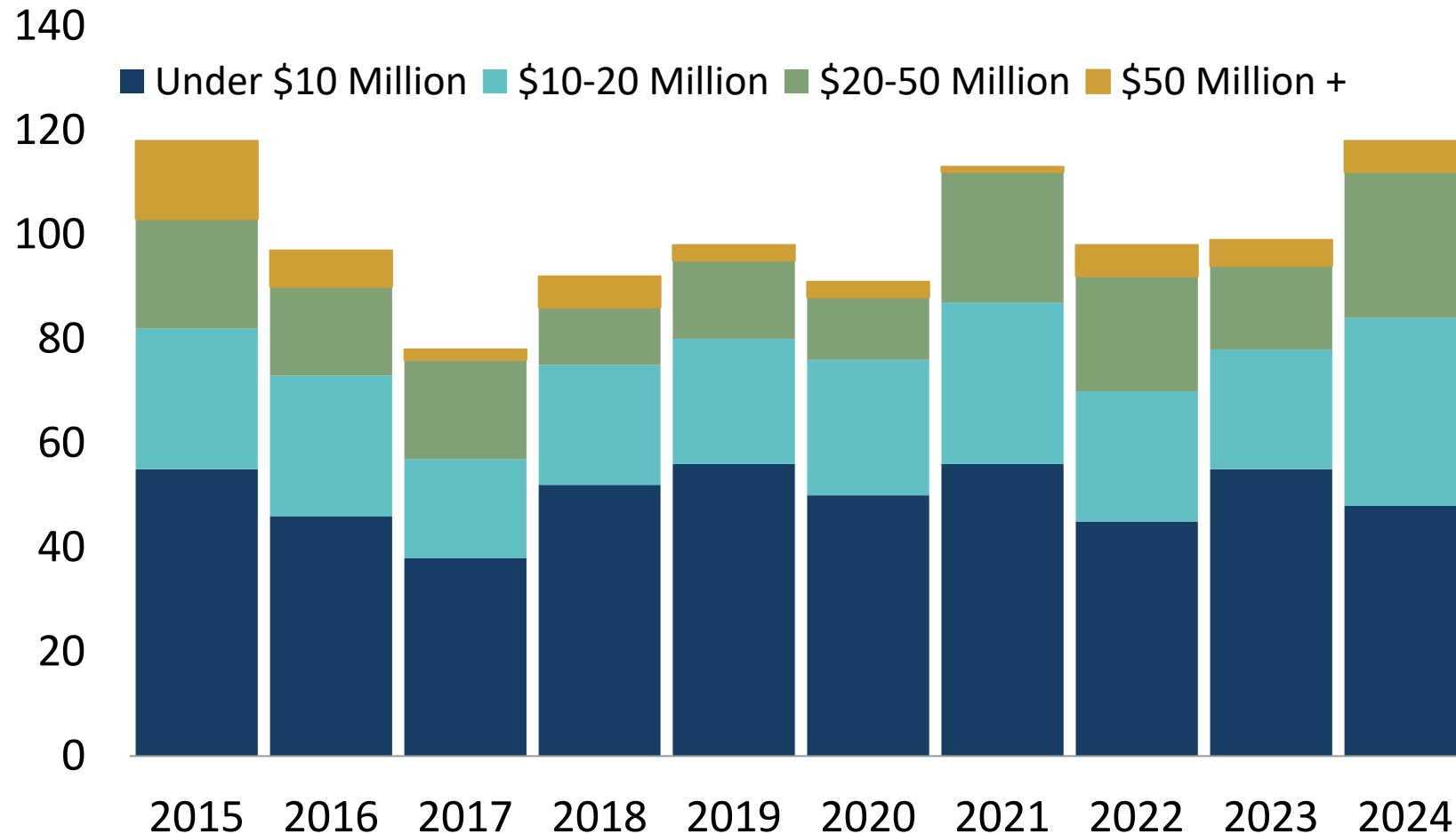
19% of issues and 1/3<sup>rd</sup> of par between \$20-\$50 million in size

76% of issues and 1/3<sup>rd</sup> of par less than \$20 million in size

About half of issues less than \$10 million

# Land-Secured Issuance by Size of Bond Sale

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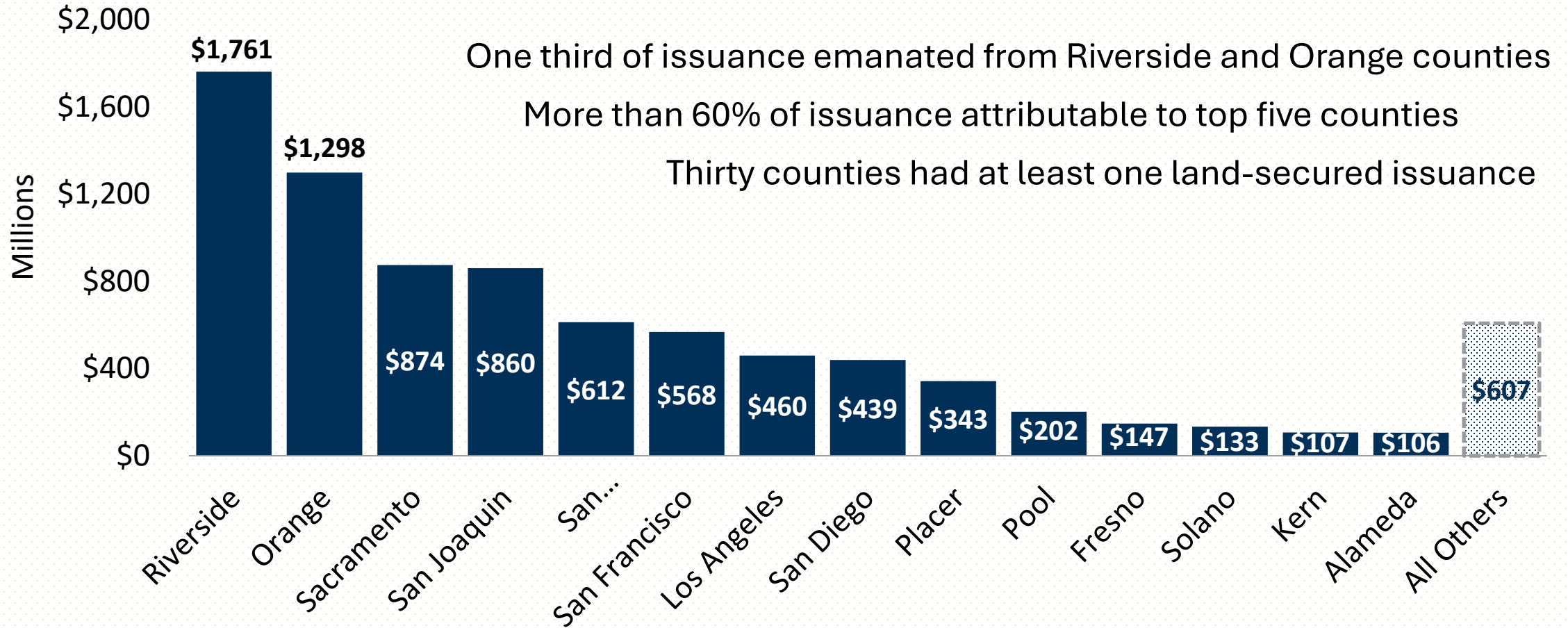
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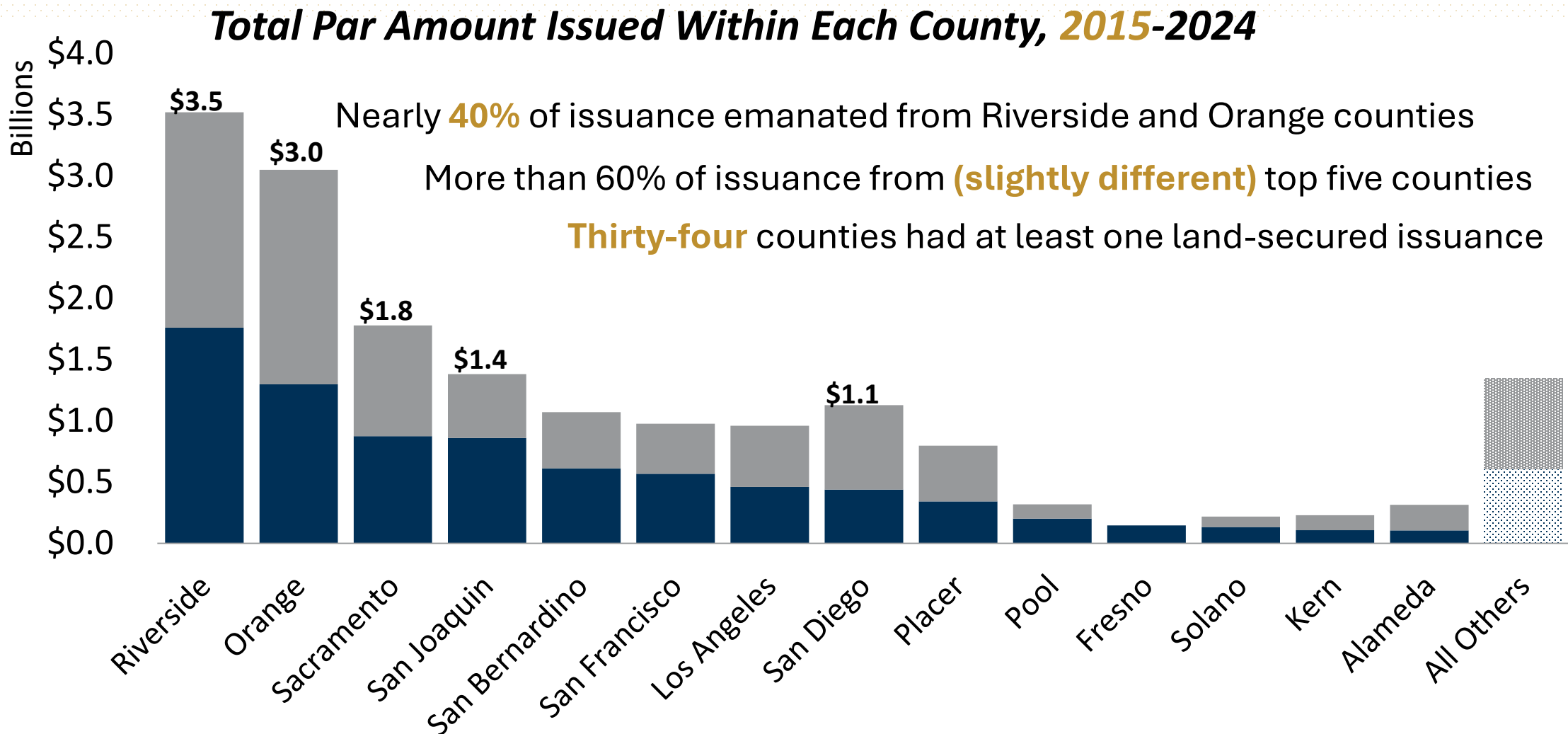
About half of issues less than \$10 million

# Land-Secured Bond Sales by County—Last 5 Years

## *Total Par Amount Issued Within Each County, 2020-2024*



# Land-Secured Bond Sales by County - Last 10 Years



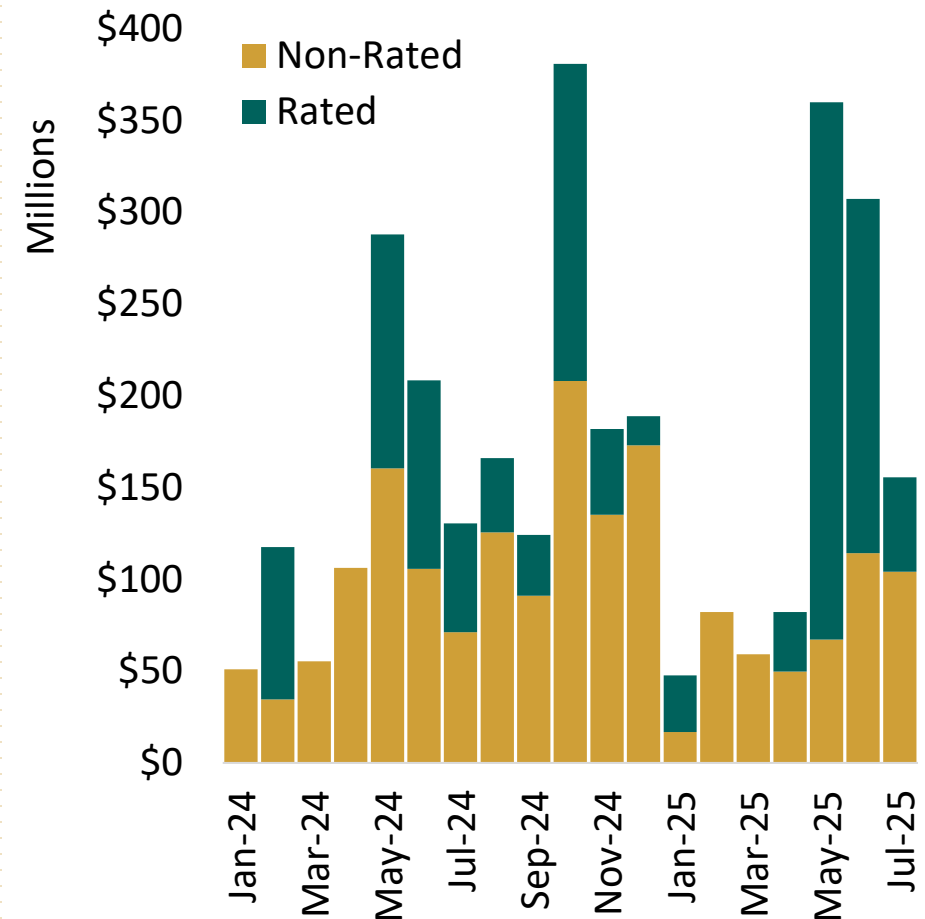
Source: Lipper, Thomson Reuters as 1/8/2025



# California Land-Secured Volume in 2025 YTD

- **Lagging new issue volume**
  - 65 sales topping \$1 billion through end of July
  - Average par: \$16.8 million
  - Average rated par: \$28.6 million
  - Average non-rated par: \$11.2 million
- **Dominated by rated refundings**
  - Average monthly volume down nearly 10% from 2024
  - *Non-rated* average monthly volume down 38% from 2024

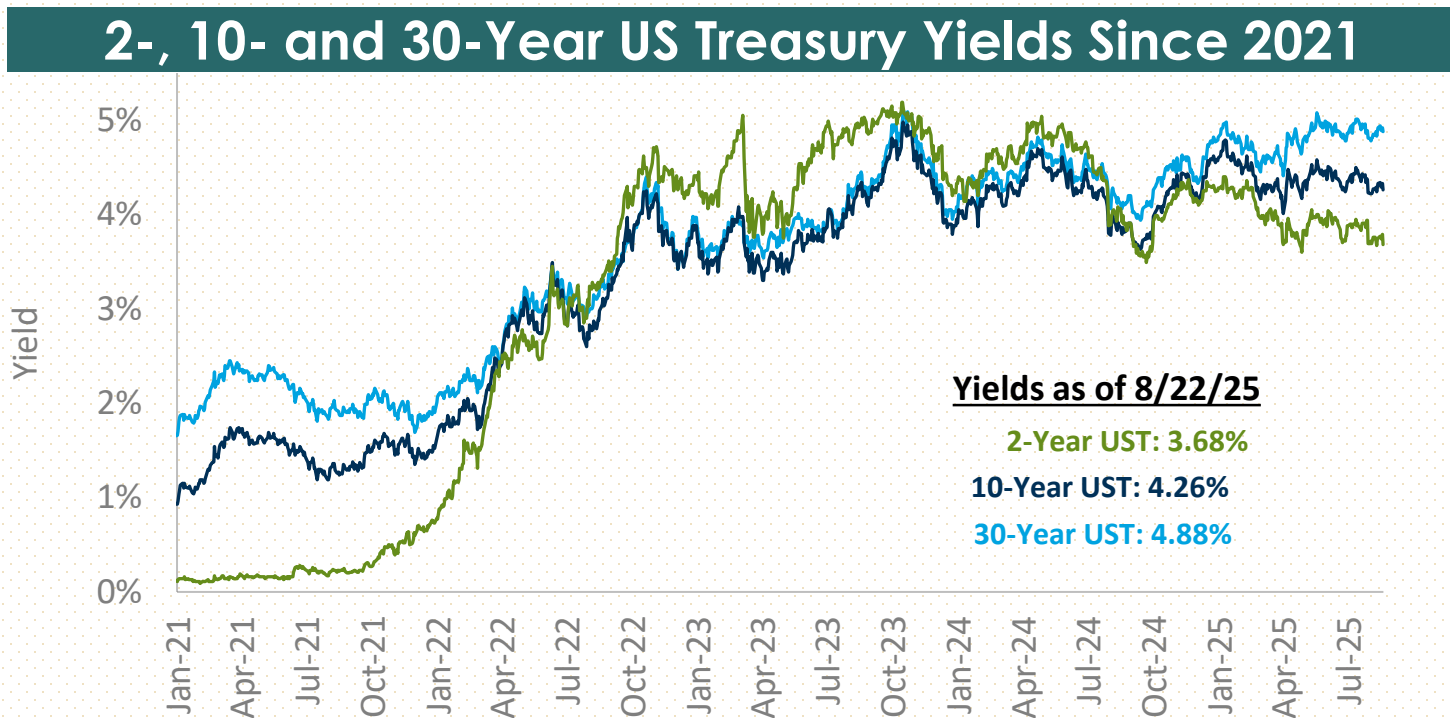
**Monthly California Land-secured Supply**  
Since January 2024



Source: TM3. As of August 22, 2025

# Federal Reserve Policy And Interest Rates

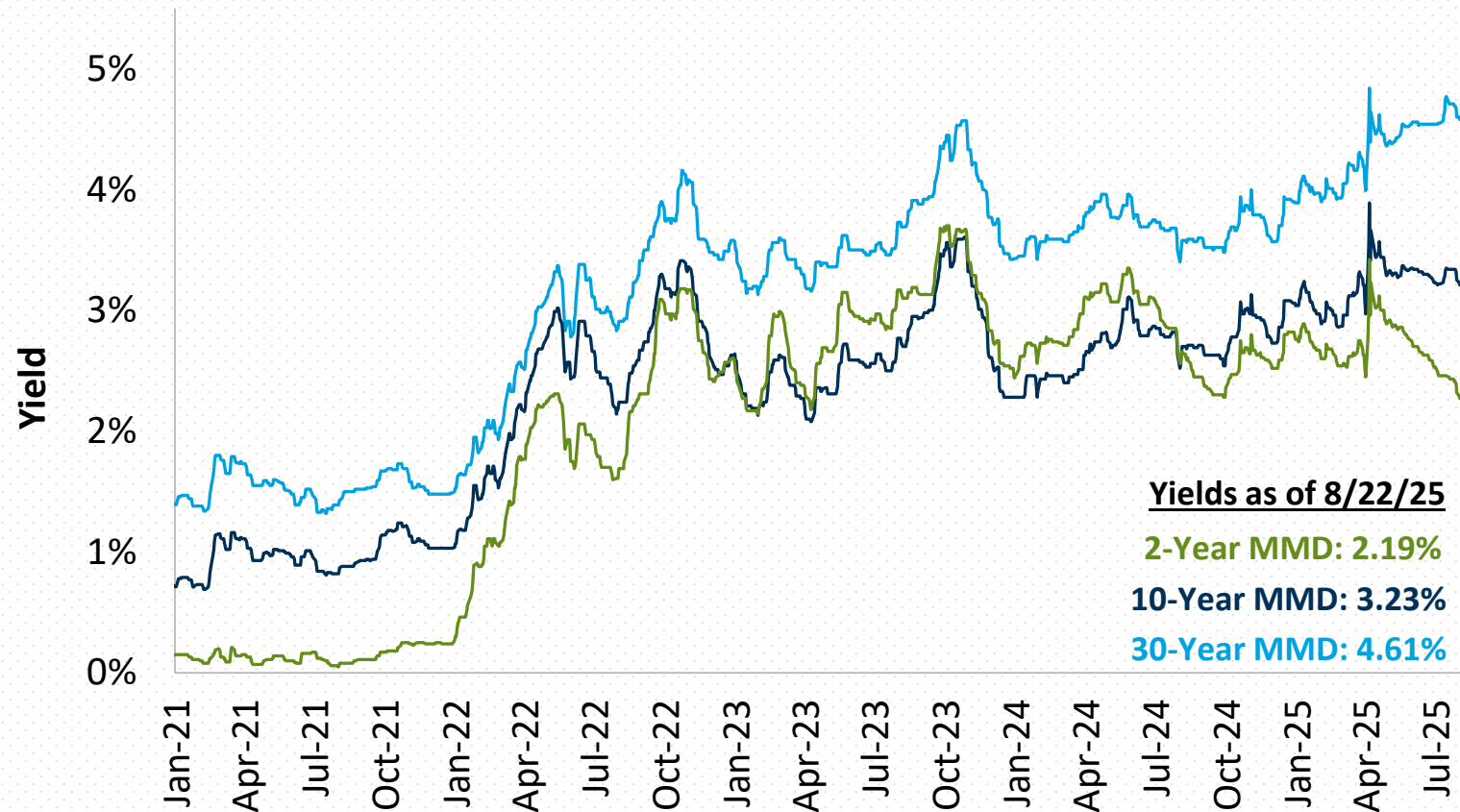
- Shifting expectations of Fed rate moves amid “sticky” Inflation, economic resilience, geopolitical conflicts, recent political pressure



- Fed rate hikes from March 2022 through July 2023 totaled 5.25%
- Three rate cuts totaling 1.00% from Sept. to Dec. 2024
- Next meeting in mid-September

# Recent Tax-Exempt Interest Rate Trends

## AAA-Rated Municipal Market Data (MMD) Index Since 2021

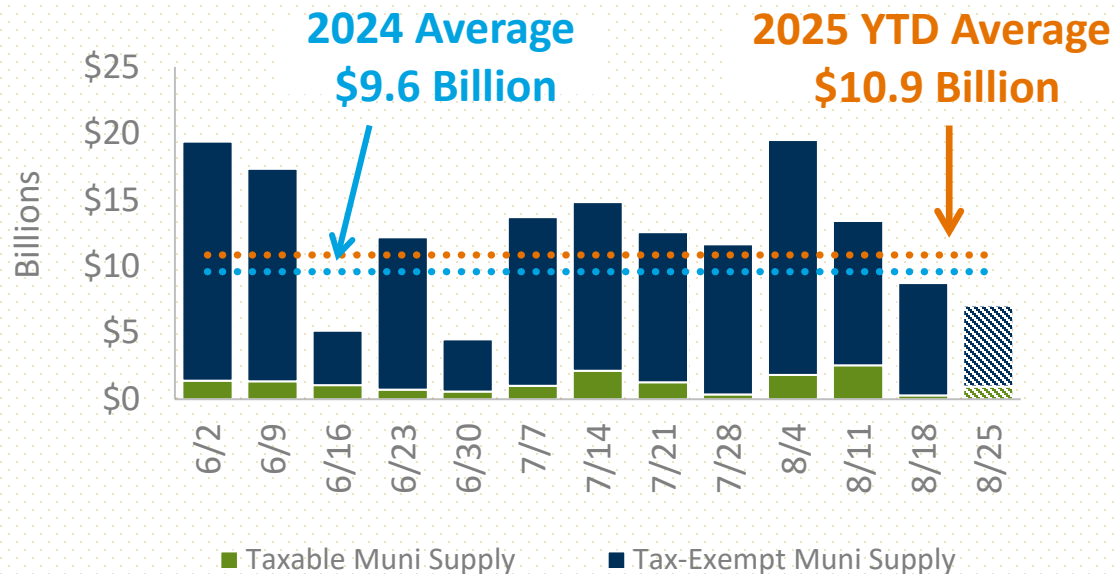


Source: Thomson Reuters, As of August 22, 2025

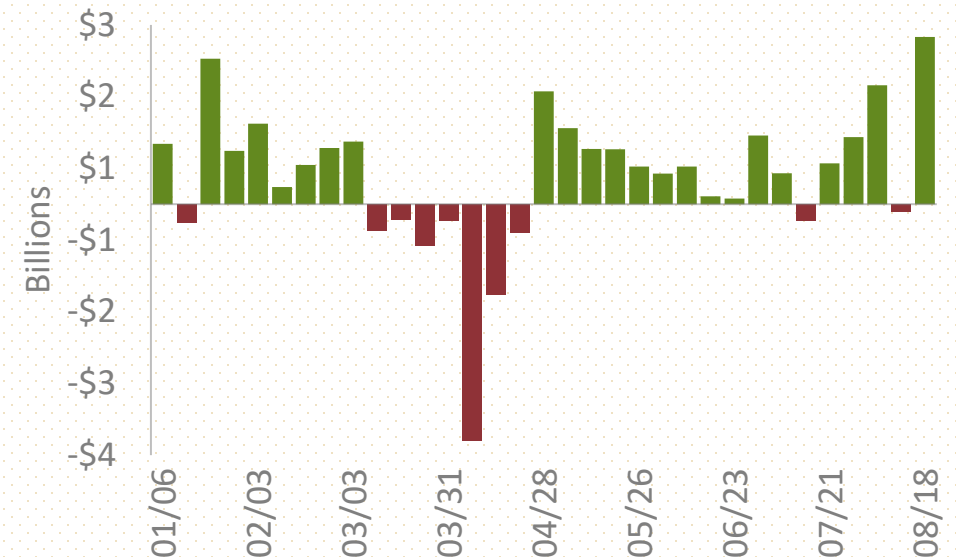
# New Issue Supply vs. Investor Demand

- **Elevated supply in 2025 year-to-date**
  - Well above record-setting 2024 weekly pace, but lower land secured volume
- **Variable investor demand**
  - Reinvestment of principal and coupon payments augment fund flows and other sources
  - Stressed brightline credits weighing on bond funds

## Weekly New Issue Municipal Supply Since June



## Weekly Municipal Fund Flows in 2025

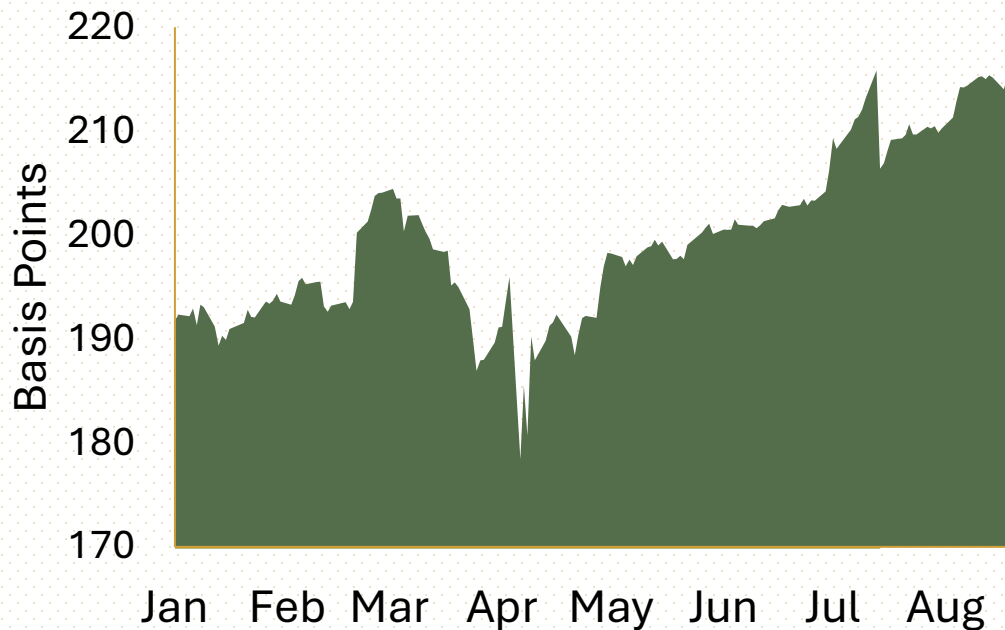


Sources: Lipper, TM3, SIFMA, IHS Markit, Bloomberg. As of August 22, 2025

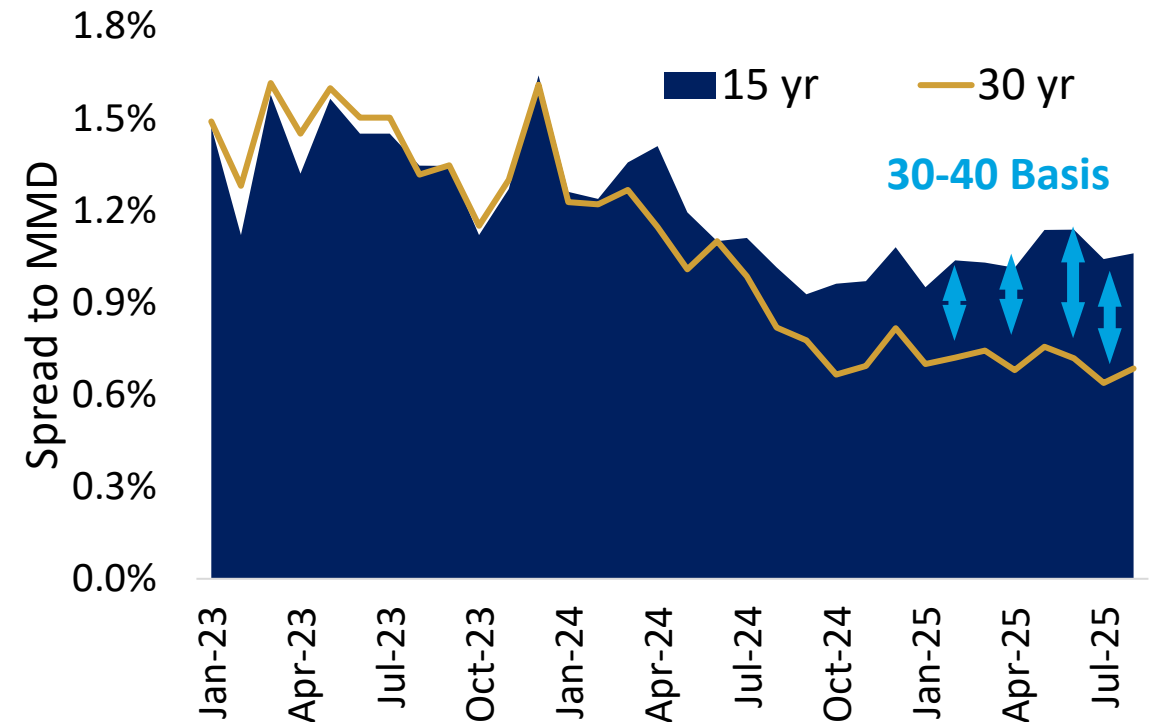
# Illustrative Land-Secured Credit Spreads

- **California non-rated land-secured credits preferred in high yield sector**
  - Spreads narrowed for strong land-secured credits\* on long end

## National High Yield Credit Spreads



## Select California Land-secured Credit Spreads



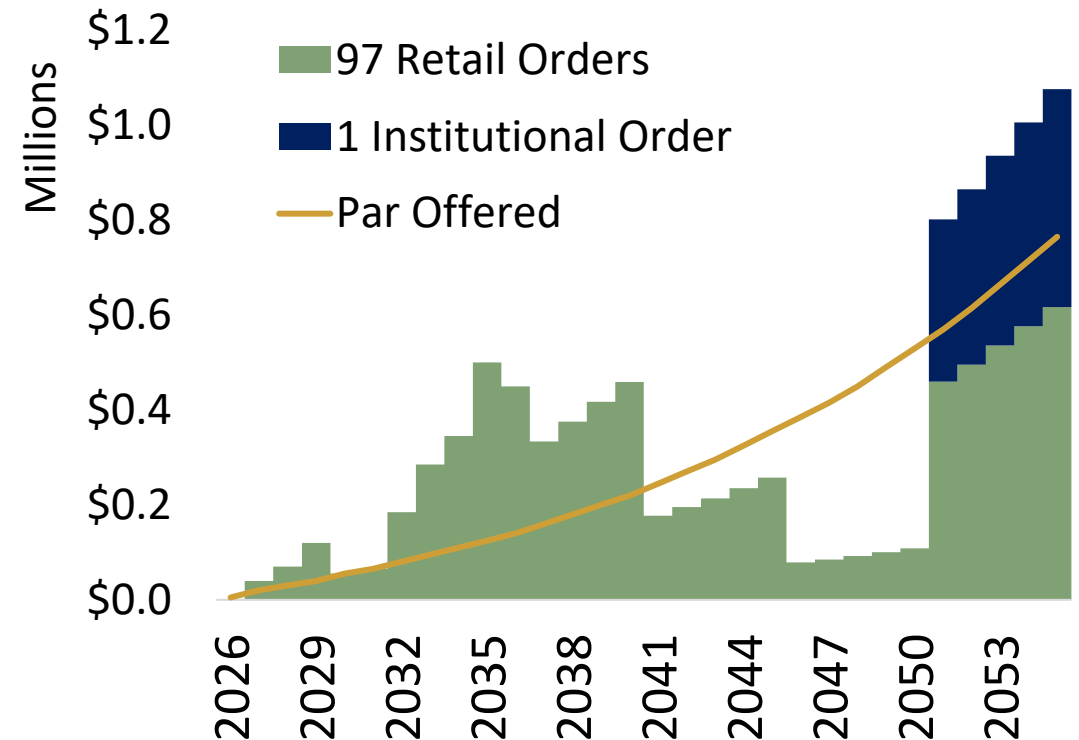
- Source: Lipper, Thomson Reuters, SIFMA, IHS Markit, Bloomberg. As of 8/21/25
- Bloomberg Muni HY Index VS AAA Muni Index

\*Value-to-Lien ratios between 6:1 and 15:1

# Recent Pricing: El Dorado County Heritage 11

- **Carson Creek Heritage 11**
  - Active adult community
  - 409 single family homes planned
    - 156 completed, 87 under construction
- **\$8.6 million sale on August 6th**
  - Value-to-lien ratio over 14-to-1
  - Additional bonds expected
- **Strong demand from retail**
  - Only 1 modest institutional order due to tight credit spreads (+70 bps to AAA MMD on long maturities)
- **Arbitrage yield of 5.2%**

Investor Orders During Order Period



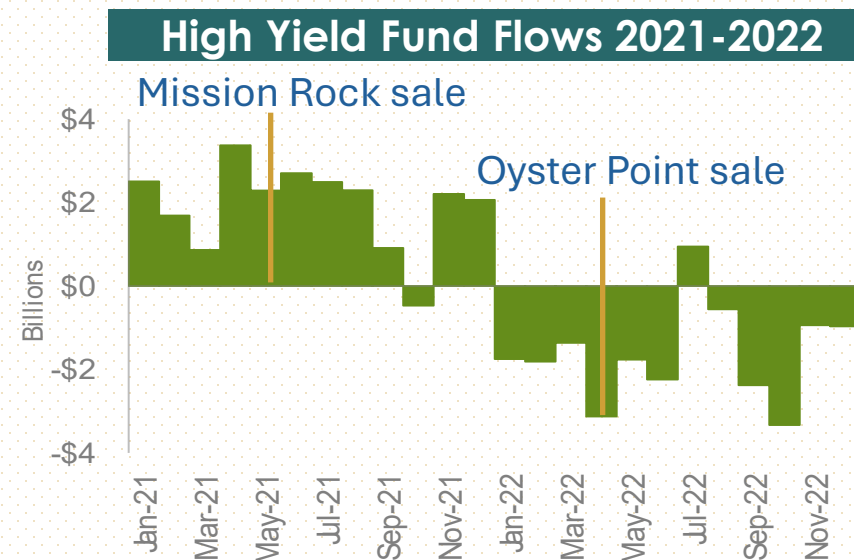
# Investor Demand in Varying Market Conditions

## San Francisco Mission Rock

- First of four-phases, mixed-use campus
  - 4 planned buildings, 2 had started construction
- **\$43.3 million May 2021 bond sale**
  - Value-to-lien 3.5-to-1
  - Rates near historic lows, flush high yield funds
  - 30+ institutions placed orders totaling \$920 million
  - Arbitrage yield of 2.53%

## South San Francisco Oyster Point

- First of four-phases, life-sciences campus
  - 3 planned buildings, completed and fully leased
- **\$19.7 million April 2022 bond sale**
  - Value-to-lien 57-to-1
  - Sharply rising interest rates amid inflation
  - 6 institutions + 121 retail, \$66 million in orders
  - Arbitrage yield of 3.87%



Source: Lipper





# Credit Spreads in Varying Market Conditions

- **Mission Rock \$45.9 million 2023 sale**
  - 10 institutions placed \$220 million in orders
  - Arbitrage yield of 5.83%
- **Oyster Point \$28.7 million 2025 sale**
  - 10 institutions, \$228 million in orders
  - 148 retail investors, \$15.2 million in orders
  - Arbitrage yield of 5.20%

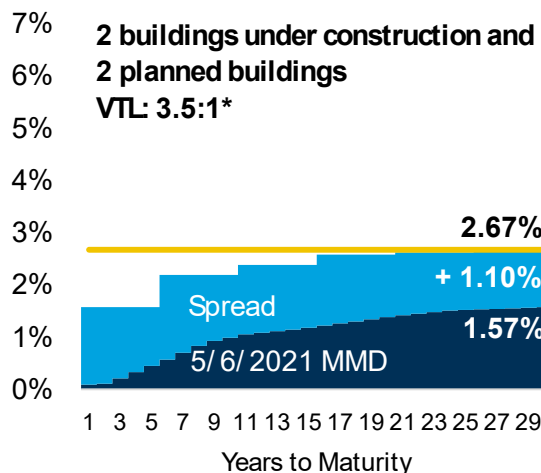
Mission Rock as of 2023



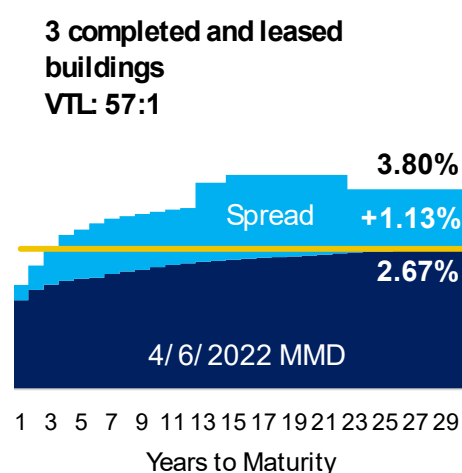
Oyster Point as of 2025



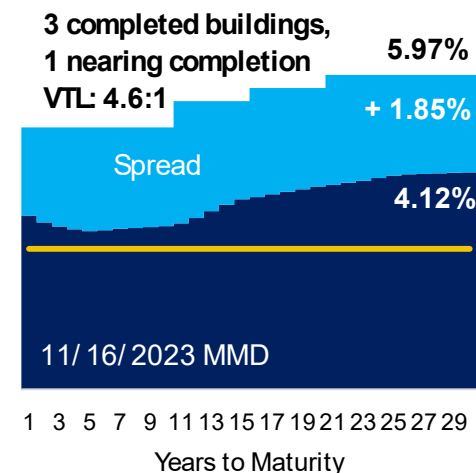
**Mission Rock: May 2021**



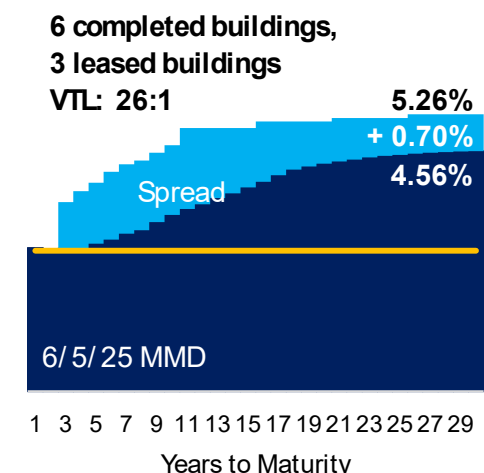
**Oyster Point: April 2022**



**Mission Rock: Nov. 2023**



**Oyster Point: June 2025**

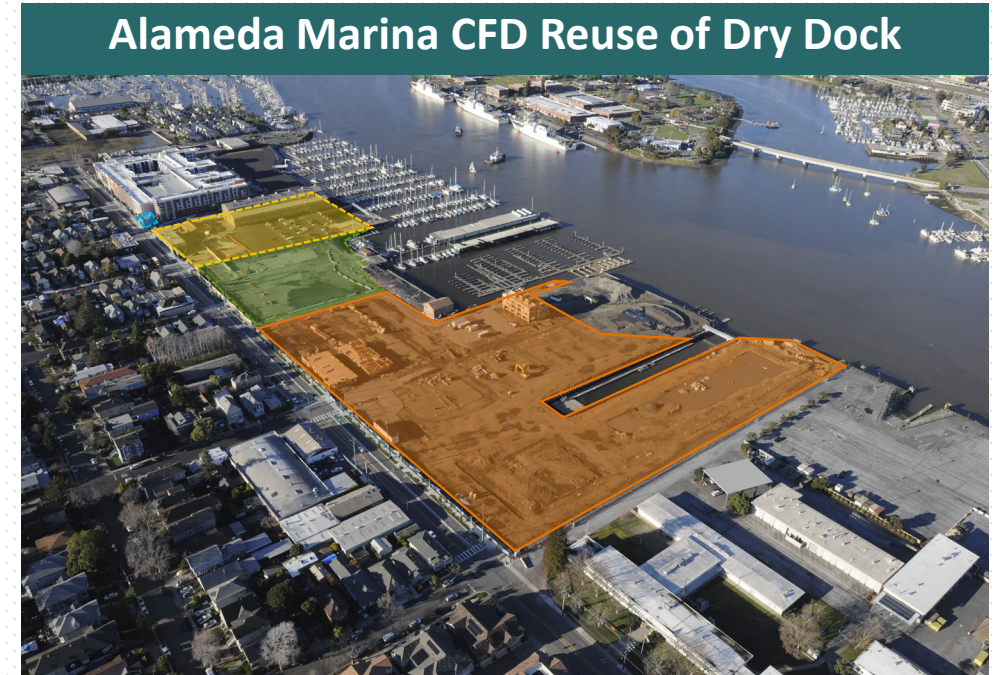


\* Included planned 2021B&C sales;  
Yellow line indicates final maturity yield for May 2021 Mission Rock Sale



# Climate Change and Perceptions of Risk

- **Interest had been growing in “ESG”**
  - Environmental, Social and Governance
    - “Green Bonds” or “Social Bonds”
  - Heightened scrutiny and potential political backlash?
- **Risks associated with climate change**
  - Wildfire, flooding, sea level rise
  - Availability and cost of insurance
  - Property tax payments post-disaster
    - Altadena Library CFD



- \$17.5 million 2023 Special Tax Bonds
- Sold as self-designated “Green Bonds”
- Proceeds used for sea wall rebuild, protect against sea level rise of up to 7 feet

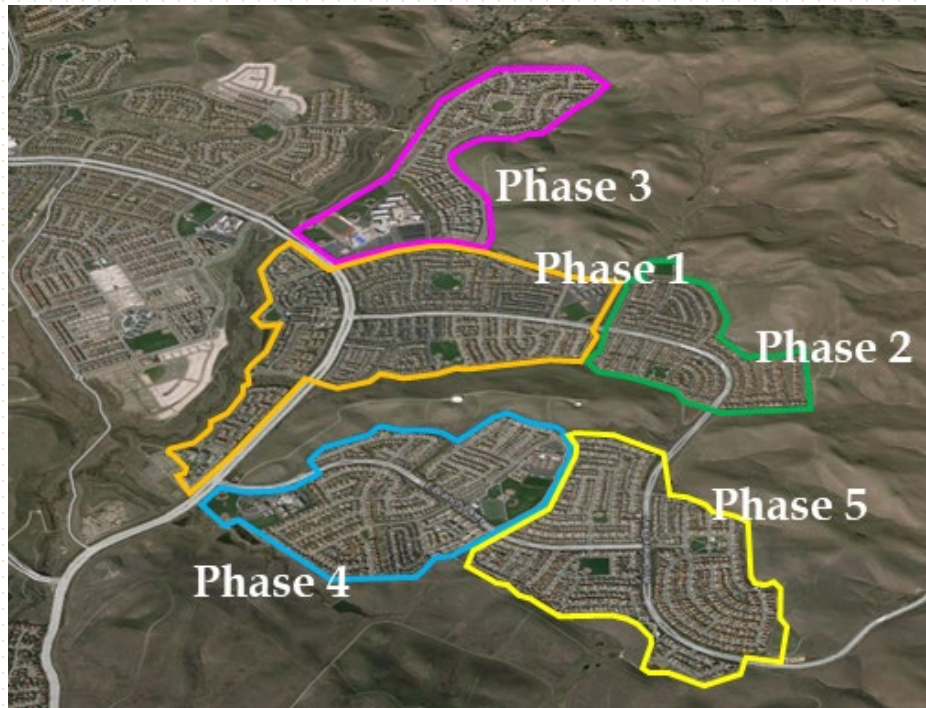
# Real Estate Market Trends and Challenges

- **Impact of mortgage rates on affordability and pace of home sales**
  - Projects with standing inventory, higher-paced sales with cash purchases
  - Incentives: price cuts, interest rate buydowns, partial special tax prepayments
  - Shift in investor focus from value-to-lien to sales momentum
- **Return of the land banks**
  - Some builders sell lots to real estate investment firms to repurchase over time as a form of financing construction costs
- **Shifting patterns of development and product mix**
  - “Active adult” developments
  - Build-to-rent single family homes
  - Urban infill and denser developments vs. traditional suburban subdivisions

# Evolution of a CFD: Size, Scale and Land Use

## Traditional CFD: Windemere

- Suburban subdivision
- 3,280 single-family homes and 597 condos
- Phased bond sales, *development* risk diminished over time as homes built and sold



## Modern CFD: Brooklyn Basin

- Urban in-fill
- 3,700 residential units in four phases
- Bonds secured by special tax levy on *completed* buildings
- No development risk but *concentration* risk





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