



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

~~R-40~~
~~UB-27~~

April 18, 2006

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to develop bond documents in preparation of financing the expansion of parks and open space in underserved communities; and, once the documents are prepared, return to the City Council with the proposed bond financing and issuance of debt in an amount not to exceed \$25 million. (Districts 1, 2, 6, 7, 9)

DISCUSSION

On August 9, 2005, the City Council approved an action authorizing the City Manager to develop and recommend a financing structure to provide funding for the acquisition and development of new open space (attachment A). The action was taken to aggressively address the lack of sufficient park space in densely populated, underserved neighborhoods identified in the City's Open Space Element of the General Plan, and in the Strategic Plan of the Department of Parks, Recreation and Marine.

The proposed projects (attachment B) are within Community Development Block Grant (CDBG) and Redevelopment areas. The proposed locations were selected by targeting existing parks in densely populated communities that could be expanded. This approach of leveraging existing locations is believed to be the most cost effective given the high cost of land. Some new parks are also being proposed in areas where parks do not currently exist.

The development of parks and open space is an eligible use of CDBG funding. Typically, communities receiving CDBG use it for capital projects, like new parks. While Long Beach has allocated some CDBG funding for public improvements, the majority of funding has traditionally been used for programs and services.

Based on extensive financial analysis, that included input from a team of bankers and financial consultants, staff is recommending the City issue Open Space Bonds in the amount of \$25 million. The financing structure will carefully take into account fiscal constraints, with annual debt service being covered in the early years by current CDBG allocations, and in later years with Redevelopment Agency (RDA) loan repayments to

HONORABLE MAYOR AND CITY COUNCIL

April 18, 2006

Page 2

the General Fund that will be restricted to CDBG purposes. It is also possible that the proceeds of Open Space Bonds will allow the City to leverage future State park bonds for open space development.

TIMING CONSIDERATIONS

City Council action is requested on April 18, 2006 to allow for timely development of required financing documents, which must be brought back to the City Council for formal approval.

FISCAL IMPACT

As mentioned above, staff suggests that the annual debt payments for the Open Space Bonds be paid from CDBG allocations. Investors generally will not invest in bonds where the source of repayment is subject to annual government appropriations, without a considerable premium by way of higher interest rates. This is the case with the federal CDBG allocations. Such a premium would make an Open Space Bond cost prohibitive. Given this constraint, staff is recommending the City issue Open Space Bonds that are backed by the General Fund, with the intent of making annual debt payments utilizing CDBG funds. Given the City's solid credit rating, this financing structure is anticipated to provide for the most favorable interest rates.

The City is in the process of developing the CDBG budget for Fiscal Year 2007 and is working to accommodate the estimated Open Space Bond debt service. It is anticipated the first ten years of annual debt service will be approximately \$1,000,000. To cover this payment, it will be necessary to eliminate some CDBG funded programs. It should also be noted that the City's CDBG allocation could change from year to year depending upon the federal budget (CDBG is subject to annual congressional approval). Should CDBG allocations not be available for the Open Space Bond payments, another funding source would have to be used (for example redevelopment or Park Impact fees); if alternative funding was also not available, the City's General Fund is obligated for the Bond debt service. Should the General Fund be forced to make the debt service payment, either service reductions or new revenues would be required to avoid creating a structural imbalance in the fund.

To utilize CDBG funding for debt service payments, it is necessary to receive approval from the Department of Housing and Urban Development (HUD). The City reviewed this proposal with HUD staff and received initial verbal support, but is waiting for written confirmation.

Staff is also recommending that future Redevelopment Agency (Agency) loan repayments to the City be used to make annual debt service on the Open Space Bonds. The current loan amount between the City and Agency is \$85 million, of which \$51 million is restricted to CDBG eligible uses. Upon termination of the Downtown Project Area in 2018, the Agency will make significant annual loan repayments to the City. Staff

HONORABLE MAYOR AND CITY COUNCIL

April 18, 2006

Page 3

is recommending an Open Space Bond repayment schedule to minimize payments through 2018, with increasing payments to coincide with the Agency repayments to the City.

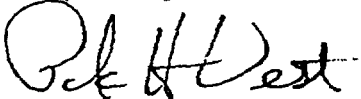
Beyond the cost of the proposed debt, the continued expansion of park space has the real and immediate effect of obligating future General Fund resources for maintenance, staffing and other related expenses. Such resources have not been identified and thus represent an unfunded future liability for the City. If/when they are found, however, they will be the same resources that could be used for program restorations, residential street repair, library or other General Funded program support.

City Council approval of the recommended action does not obligate the City to issue debt. Required bond documents will be returned to the City Council for approval at a future date.

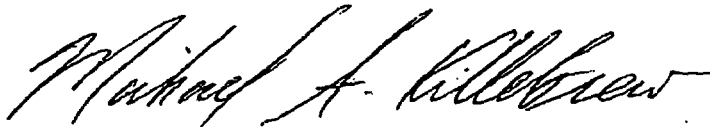
SUGGESTED ACTION:

Approve recommendation.

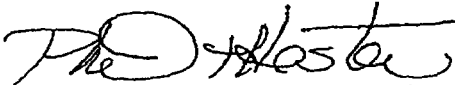
Respectfully submitted,



PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT



PHIL T. HESTER
DIRECTOR OF PARKS, RECREATION AND MARINE

PHW:jca
CcltrApr4 Open Spacev8

Attachments

APPROVED:



GERALD R. MILLER
CITY MANAGER

~~R-40~~
~~R-18~~



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

August 9, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to develop and recommend a financing structure to provide funds to acquire and develop new open space in underserved areas of the City as identified by the Open Space Element of the General Plan and Strategic Plan of the Department of Parks, Recreation and Marine. (Districts 1, 4, 6 and 7)

DISCUSSION

The population density in Long Beach is about 9,149 persons per square mile, making the City a dense urban area; more so than cities like Baltimore, Detroit and Los Angeles. This population density, which is concentrated in the North, South and West Park Districts (Target Districts) of the City, as defined in the Strategic Plan (Strategic Plan) of the Department of Parks, Recreation and Marine, has created a critical lack of adequate open space for residents (Exhibit A – Population Density Map). In Long Beach there are currently 5.8 acres of parkland per 1,000 residents. The Strategic Plan also states that this is substantially below the average of 13 acres per 1,000 residents of 25 other comparable urban cities (Exhibit B – Comparison of Park Resources). Comparably, within the Target Districts there is an average of only 1.6 acres per 1,000 residents versus 16.7 acres in the East Park District. To develop additional open space within these impacted areas, staff is recommending a strategy to acquire existing, underutilized properties and convert them to parkland, as well as make substantial improvements or expansions at existing parks.

The majority of the Target Districts are designated as Community Development Block Grant (CDBG) eligible. For many years, the City has utilized CDBG funding for park facility improvements and recreational programming in these underserved neighborhoods. Such programs include after-school and weekend recreation programs in school facilities, teen and youth centers and mobile recreation programs. While these initiatives have helped, additional funding is needed to address the significant lack of parkland and open space in these impacted areas. To this end, City staff is recommending the use of bond financing to generate funds that will be used to acquire and develop new open space and make substantial improvements or expansions at existing parks within the impacted areas of the City.

HONORABLE MAYOR AND CITY COUNCIL
August 9, 2005
Page 2

This letter was reviewed by Assistant City Attorney Heather Mahood on July 28, 2005 and Budget Management Officer David Wodynski on August 1, 2005.

TIMING CONSIDERATIONS

Approval is requested at this time to take advantage of a favorable bond market.

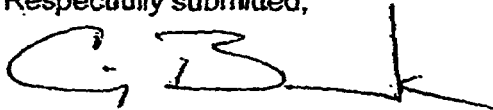
FISCAL IMPACT

Staff is requesting City Council approval to develop a financing structure that may use bond financing to generate funds for the acquisition and development of new open space. Once developed, a specific action plan will be submitted to the City Council for authorization and approval. The initial concept includes utilizing CDBG funding for debt service payments on a new park bond. There is no impact to the General Fund as a result of the requested action.

SUGGESTED ACTION:

Adopt recommendation.

Respectfully submitted,



CRAIG BECK
Acting Director of Community Development



for PHIL HESTER
Director of Parks, Recreation and Marine



MICHAEL KILLEBREW
Director of Financial Management

APPROVED:



GERALD R. MILLER
CITY MANAGER

DSW:dsw

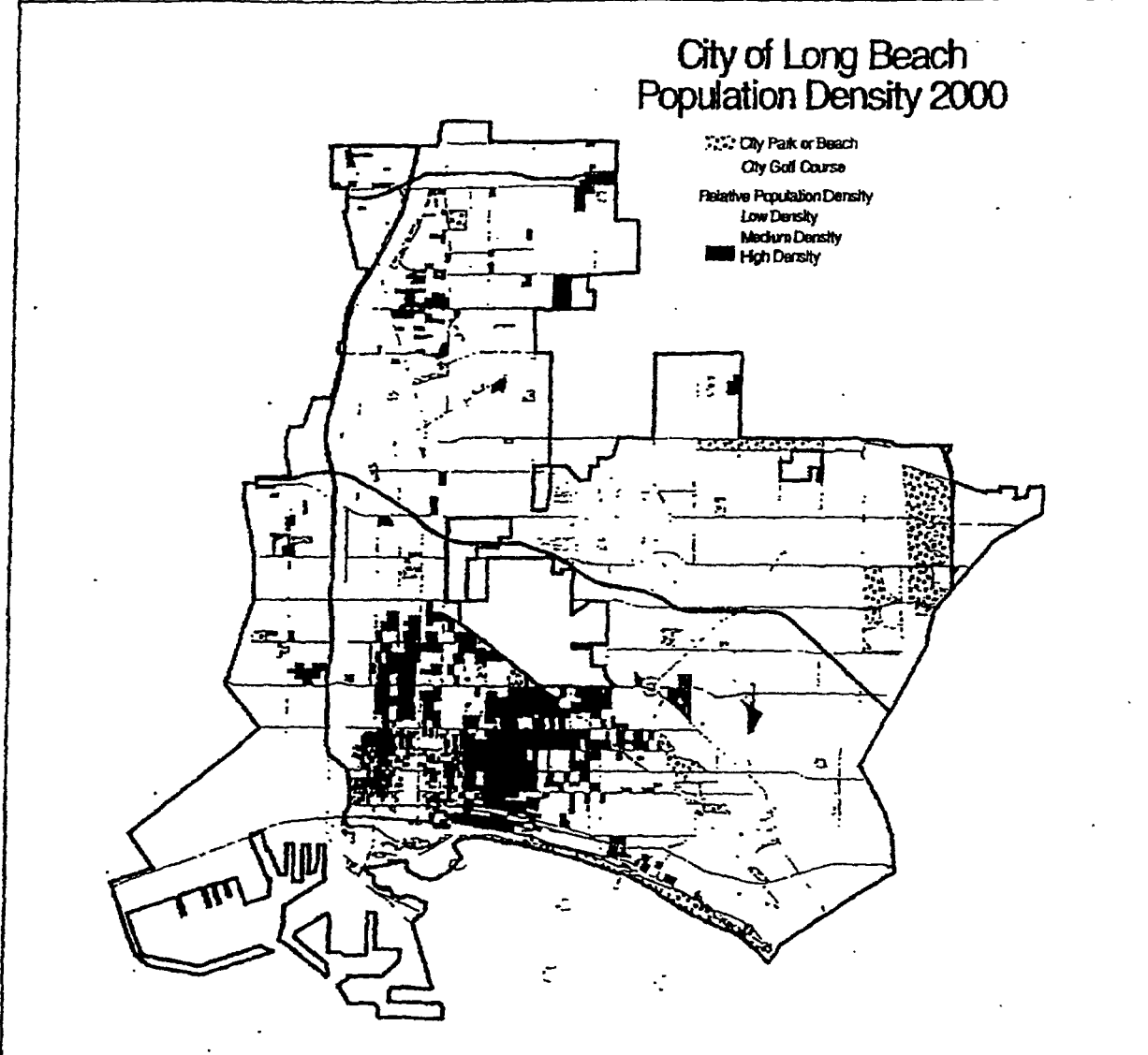
Attachments: Exhibit A – Population Density Map
Exhibit B – Comparison of Park Resources



Strategic Plan
 Department of Parks, Recreation, and Marine

Exhibit 12

LONG BEACH DEPARTMENT OF PARKS, RECREATION, AND MARINE
Population Density



Source: Long Beach Department of Parks, Recreation, and Marine 2001 Maps of Parks, Facilities, and Service Areas

This high level of population density increases the need for park space. Given this density, families have limited yard space in which to recreate. In addition, there is an increased need to escape the pressures of urban life and to order to relieve these overcrowded conditions.

The high level of population density also makes it more difficult to develop and maintain park space, given the high demand for land area. Competing needs including housing, commercial space, and even public services vie for the limited space available

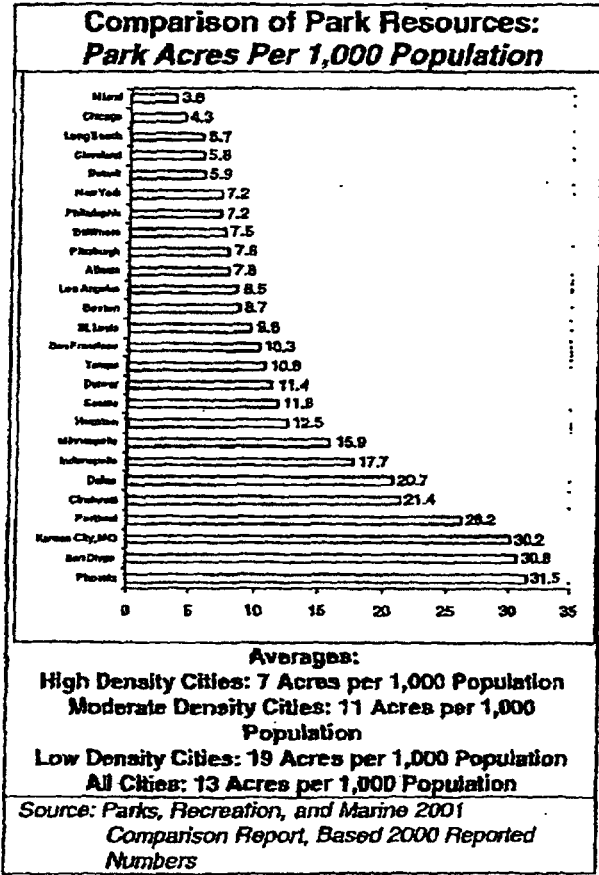


Strategic Plan
Department of Parks, Recreation, and Marine

ADDITIONAL PARK SPACE NEEDED IN LONG BEACH

There are currently approximately 5.8 acres of park land within the City of Long Beach for every 1,000 residents. This includes parks, specialty facilities, beaches, golf courses, and water recreation areas, and is based on the 2000 Census population. As the following exhibit shows, this is substantially below the number of park acres per 1,000 population for many other comparable cities.

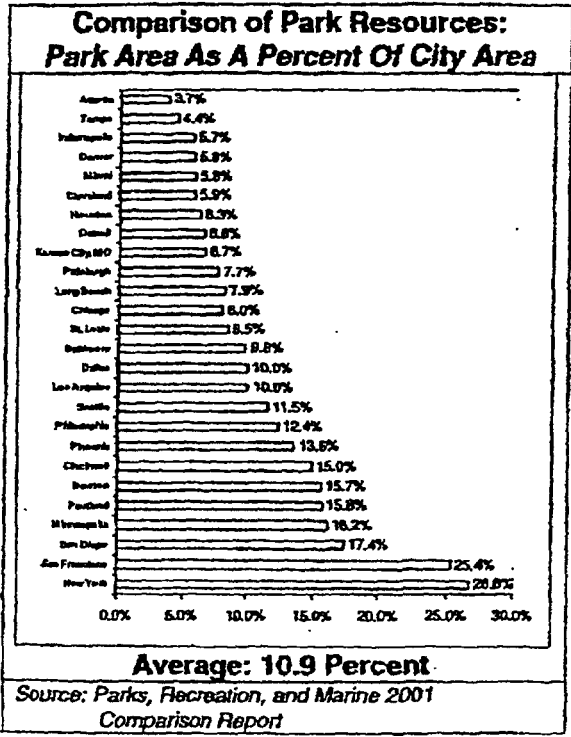
Exhibit 13



substantially below the average of 13 acres per 1,000 residents for all the cities compared, and somewhat below the average of 7 acres per 1,000 for other high density cities. It is important to note that many of these other cities have national, state, or county parks within their boundaries that serve the needs of their residents. Long Beach does not have any of these types of parks.

Long Beach also falls well below the average in park area compared to total city area. As the following exhibit shows, 7.9 percent of Long Beach is park land. This compares to the average of 10.9 percent for all the cities benchmarked.

Exhibit 14



When this comparison was completed (prior to completion of the 2000 census) Long Beach had an estimated 5.78 acres of park land for every 1,000 residents. This is

Open Space Bond Preliminary Project List

Projects	District
15th and Alamos Open Space	6
Admiral Kidd Park Expansion	7
Armory Park Development	1
California Recreation Center Expansion	6
Chavez Water Park	1
Chittick Field Expansion	6
Daryle Black Park Expansion	6
Davenport Park (55th way) Expansion	9
Drake/Chavez Open Space	1
Homeland Cultural Center Improvements	6
MacArthur Park Facility Center Improvements	6
Martin Luther King Jr. Park Improvements	6
PE Right of Way Land Acquisition (triangles)	6
Seaside Park Expansion	1
Silverado Park Improvements	7



U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-0001

RECEIVED
OFFICE OF THE MAYOR
CITY OF LONG BEACH

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RECEPTION

THE SECRETARY

May 31, 2006

The Honorable Beverly O'Neill
Mayor of Long Beach
333 West Ocean Boulevard, 3rd Floor
Long Beach, CA 90802-4604

Dear Mayor O'Neill:

This is in further response to your letter of December 12, 2005, concerning the city's proposed use of its Community Development Block Grant (CDBG) funds. The city of Long Beach is considering the issuance of locally backed bonds to finance the acquisition of real property as sites for public parks and for related park improvements. The city proposes to use CDBG funds, along with other city resources, to pay the annual debt service over the term of the bonds.

While the CDBG program does not specifically authorize the payment of bond debt as a CDBG activity, under certain circumstances this proposed activity could be permissible. Public facilities and improvements are eligible activities under 24 CFR 570.201(c), provided a national objective is met. Further, section 105(a)(13) of the Housing and Community Development Act of 1974, as amended, authorizes the payment of "carrying charges" related to the execution of community development activities. Taken together, HUD finds the city's proposal as presented to be an eligible use of CDBG funds.

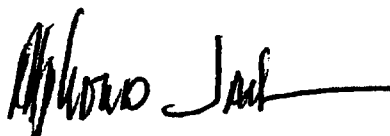
Given the 20-year term for debt repayment, it will be necessary for the city of Long Beach to comply with the provisions at 24 CFR 570.200(h), which govern reimbursement for pre-award costs. In this situation, the city of Long Beach will be incurring activity costs before it is awarded grant funds to be used for reimbursement. To be eligible for reimbursement, the activity must be in the city of Long Beach's Consolidated Plan/Action Plan prior to any costs being incurred, and citizens must continue to be notified to the extent that these pre-award costs will impact future CDBG grants.

Under the pre-award cost provisions, grantees can carry out eligible activities using non-CDBG funds with the understanding that they may reimburse those non-CDBG funds from one or more of their future CDBG grants. The provision at 24 CFR 570.200(h)(1)(v) limits the time for repaying pre-award costs to the next two program years following the effective date of the grant. In addition, 24 CFR 570.200(h)(1)(vi) limits the amount of pre-award costs to be paid during any program year to no more than the greater of 25 percent of that year's grant or \$300,000.

Since the city of Long Beach proposes to make repayments over a period longer than 2 years, I am hereby granting the exception required pursuant to 24 CFR 570.200(h)(2). This exception is subject to periodic review by HUD to ensure that the project continues to comply with applicable requirements. Moreover, reimbursement is contingent upon the availability of future CDBG funds, and the activity must comply with all statutory and regulatory requirements in effect at the time of reimbursement. Should CDBG eligibility or other requirements be altered or if the CDBG program were to be eliminated, the city of Long Beach would be responsible for compliance with any new requirements and/or payment of any outstanding debt.

Thank you for your interest in the Department's programs.

Sincerely,



Alphonso Jackson