



CITY OF LONG BEACH

CH-2

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 •

March 11, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION

Receive supporting documentation into the record and open the public hearing to receive public comment.

Adopt attached resolution calling for a special election regarding public improvements authorized to be financed by Community Facilities District No. 5 (Long Beach Towne Center).

Adopt attached resolution declaring the results of the special election and directing recording of an amendment to the notice of special tax lien for Community Facilities District No. 5 (Long Beach Towne Center).

Adopt attached resolution authorizing the issuance of special tax bonds for Community Facilities District No. 5 (Long Beach Towne Center), and approving related documents. (District 5)

DISCUSSION

In 1999, under the provisions of the Long Beach Special Tax Financing Improvement Law, the City Council formed Community Facilities District No. 5 (Long Beach Towne Center) of the City of Long Beach (CFD 5) to provide a means to finance public improvements in connection with the development of the Towne Center Shopping facility. CFD 5 is authorized to levy a special tax on the leasehold interest of the shopping center owner in the land on which the shopping center is located. The revenues from that special tax have been used to pay the debt service on \$15,385,000 of bonds issued in May of 2000 by the City for CFD 5 (the "2000 Bonds") to finance public improvements required for the development of the shopping center. All of the original capital projects associated with the development of the Long Beach Towne Center have been completed.

Due to lower interest rates in the public debt market, City staff have determined that the City can issue bonds for CFD 5 (the "Refunding Bonds") to refund the outstanding 2000 Bonds, as well as to provide funds to finance additional public improvements, without an increase in the annual debt service for CFD 5.

Bond Counsel, working with City staff and representatives of the current lessee, CREA/PPC Long Beach Towne Center PO, LLC, has approved a 50/50 split of the savings that can be achieved by refunding the bonds. The total net savings are projected to be approximately \$750,000. The final amount of the net savings is subject to market conditions in effect at the time the Refunding Bonds are issued.

The estimated savings from this refunding are included in the FY 2008 budget as one of the many pooled revenue sources that will be used to fund in whole or in part projects in the FY 2008 Capital Improvement Plan. As the original infrastructure improvements for CFD 5 have been completed, the leasehold owner has cooperated with the City to expand the CFD's infrastructure authorization. To comply with the CFD 5 requirement for identifying specific projects, a project of sufficient size to fully utilize the savings, and a backup project to ensure utilization were identified from the City's Capital Improvement Plan for FY 2008.

On February 19, 2008, the City Council adopted a resolution of consideration to add these public improvements to be financed by the City's share of estimated savings. That resolution called for a public hearing on the matter by the City Council on March 4, 2008. On March 4, 2008, the hearing was opened and continued to March 11, 2008, to take testimony of any person desiring to speak on the matter.

Following the conduct of the public hearing, it is recommended that the City Council adopt a resolution calling for a special election regarding the authorization for CFD 5 to finance the capital improvements. The City is the voter in the election since it owns the fee title to the property in CFD 5. The resolution authorizes and directs the City Clerk to hold the election and the Director of Financial Management to cast the ballot for the City in the election. The ballot for the election has already been prepared, and it is expected that the election will be held and canvassed immediately following the adoption of the resolution calling for the election.

Following the canvass of the election, it is recommended that the City Council adopt a resolution declaring the results of the election and directing recording of an amendment to the Notice of Special Tax Lien for CFD 5. The amendment to the Notice of Special Tax Lien will place the public on notice of the authority of CFD 5 to fund additional capital improvements.

As a final action for CFD 5, it is recommended that the City Council adopt a resolution authorizing the City to issue the Refunding Bonds, so long as the bond issue provides approximately \$750,000 in bond proceeds to fund the public improvements. The resolution also approves a fiscal agent agreement specifying the terms of the Refunding Bonds, an escrow agreement with respect to the payment of the 2000 Bonds, a bond

purchase agreement whereby the City will sell the Refunding Bonds to the selected underwriter, an official statement in preliminary form which describes the financing transaction for potential bond investors, and a continuing disclosure agreement which requires the City to provide periodic information to the bond market during the time the Refunding Bonds are outstanding.

The resolution also approves a rent credit agreement between the City and the current lessee of the shopping center site, whereby the City agrees to provide a rent credit to the lessee under the Restated Ground Lease No. 25213 and related First Amendment for the shopping center site in an amount equal to one-half the amount of the net new bond proceeds realized from the sale of the Refunding Bonds. The resolution also makes various findings related to the bond issue, including that the value of the leasehold interest in the land in CFD 5 subject to the levy of special taxes to repay the Refunding Bonds is more than three times the principal amount of the Refunding Bonds, based upon an appraisal by Stephen G. White, MAI, which determined the leasehold estate value to be \$117,000,000. The findings also include other matters required under the Long Beach Special Tax Financing Improvement Law, and conclude that the proposed bond issue will be in compliance with the City's adopted Local Goals and Policies for Community Facilities Districts Related to Commercial Development adopted by the City Council on December 21, 1999.

If the City Council adopts the resolution authorizing the issuance of the Refunding Bonds, it is expected that the Refunding Bonds will be sold when market conditions are most favored.

This item was reviewed by Assistant City Attorney Heather A. Mahood on February 28, 2008 and Budget Management Officer Victoria Bell on February 25, 2008.

TIMING CONSIDERATIONS

City Council action on this item is requested on March 11, 2008, as the City is currently seeking to issue the Refunding Bonds for CFD 5 as soon as the market allows.

FISCAL IMPACT

Upon the issuance of the Refunding Bonds, the City is expected to receive at least \$750,000, half of which will be used to fund the cost of one-time capital improvements, and the remainder will provide a rent credit under the Restated Ground Lease No. 25213 and related First Amendment for the Long Beach Towne Center. The estimated savings from this refunding are included in the FY 2008 Capital Improvement Program as one of the revenue sources that will be used to fund the FY 2008 Capital Improvement Budget. If successful, this refunding will provide a small portion of the revenue required to fund these capital projects in FY 2008.

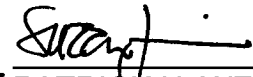
SUGGESTED ACTION

Approve recommendations.

Respectfully submitted,


LORIANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:


PATRICK H. WEST
CITY MANAGER

1 RESOLUTION NO.

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH CALLING SPECIAL ELECTION
5 REGARDING ALTERATION OF THE FACILITIES
6 AUTHORIZED TO BE FINANCED BY COMMUNITY
7 FACILITIES DISTRICT NO. 5 (LONG BEACH TOWNE
8 CENTER)

9
10 WHEREAS, on February 19, 2008, this City Council adopted a resolution
11 entitled "A Resolution of the City Council of the City of Long Beach of Consideration to
12 Alter the Facilities Authorized to be Financed By Community Facilities District No. 5
13 (Long Beach Towne Center)" (the "Resolution of Consideration"), proposing to alter the
14 facilities authorized to be financed by Community Facilities District No. 5 (Long Beach
15 Towne Center) of the City of Long Beach (the "District"), pursuant to the Long Beach
16 Special Tax Financing Improvement Law, constituting Section 3.52.511 et seq. of the
17 Long Beach Municipal Code (the "Law"), by adding certain facilities (the "Additional
18 Facilities") specified in the Resolution of Consideration to the list of facilities authorized to
19 be financed by the District; and

20 WHEREAS, the Resolution of Consideration, which makes reference to the
21 map of the boundaries of the District and contains a description of the Additional
22 Facilities, is on file with the City Clerk and the provisions thereof are incorporated herein
23 by this reference as if fully set forth herein; and

24 WHEREAS, on March 4, 2008, the City Council opened the public hearing
25 called pursuant to the Resolution of Consideration and continued the hearing to March
26 11, 2008;

27 WHEREAS, on this date, the City Council held the continued public hearing
28 as required by the Law and the Resolution of Consideration relative to the proposed

1 Additional Facilities; and

2 WHEREAS, at said hearing all interested persons desiring to be heard on
3 all matters pertaining to the Additional Facilities were heard and a full and fair hearing
4 was held; and

5 WHEREAS, written protests with respect to the Additional Facilities have
6 not been filed with the City Clerk by fifty percent (50%) or more of any registered voters
7 residing within the territory of the District or the owners of land or of leasehold interests in
8 land constituting one-half (1/2) or more of the area of land within the District and not
9 exempt from the levy of the special tax; and

10 WHEREAS, the proposition of the addition of the Additional Facilities to the
11 list of facilities authorized to be financed by the District shall be submitted to the qualified
12 electors of the District as required by the Law;

13 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
14 follows:

15 Section 1. The foregoing recitals are true and correct.

16 Section 2. The proposed addition of the Additional Facilities to the list of
17 facilities authorized to be financed by the District has not been precluded by majority
18 protest pursuant to Sections 3.52.535 and 3.52.5210 of the Law.

19 Section 3. All prior proceedings taken by this City Council in connection
20 with the proposed alteration of the facilities authorized to be financed by the District as
21 set forth in the Resolution of Consideration have been duly considered and are hereby
22 found and determined to be valid and in conformity with the requirements of the Law.

23 Section 4. Subject to the approval of the qualified elector of the District at
24 the special election referred to below, the facilities authorized to be financed by the
25 District are hereby altered to include the Additional Facilities.

26 Section 5. Pursuant to Sections 3.52.535, 3.52.5211 and 3.52.5217 of
27 the Law, the issue of the alteration of the facilities to be financed by the District shall be
28 submitted to the qualified elector of the District at an election called therefor as provided

1 below.

2 Section 6. The ballot measure shall be in the form attached hereto as
3 Exhibit A and by this reference incorporated herein, and said form of ballot is hereby
4 approved.

5 Section 7. This City Council hereby finds that fewer than 12 persons
6 have been registered to vote within the territory of the District for each of the ninety (90)
7 days preceding the close of the public hearing heretofore conducted and concluded by
8 this City Council for the purposes of these proceedings, and that the City is the sole
9 owner of all of the land in the District. This City Council hereby further finds that the
10 special taxes to be levied in the District are to be levied on leasehold interests in the real
11 property in the District. Accordingly, and pursuant to Sections 3.52.535 and 3.52.5217B.
12 of the Law, this City Council finds that for purposes of these proceedings the qualified
13 elector is the City as the owner of all of the real property within the District and that the
14 vote shall be by the City, with one vote for each acre or portion thereof the City owns in
15 the District as of the close of said public hearing. The City's Director of Financial
16 Management is hereby authorized and directed to execute the ballot for the land owned
17 by the City within the boundaries of the District, and to vote yes on the proposition.

18 Section 8. This City Council hereby calls a special election to consider
19 the measure described in Section 6 above, which election shall be held immediately
20 following adoption of this Resolution in the City Council Chambers. The City Clerk is
21 hereby designated as the official to conduct said election. It is hereby acknowledged that
22 the City Clerk has on file a copy of this Resolution, a map of the boundaries of the
23 District, and a sufficient description to allow the City Clerk to determine the boundaries of
24 the District.

25 Section 9. The voted ballot shall be returned to the City Clerk
26 immediately following adoption of this Resolution, and when the qualified elector has
27 voted, the election shall be closed.

28 Section 10. Pursuant to Section 3.52.5218 of the Law, the election shall

1 be conducted by mail ballot pursuant to the City's Municipal Code and, as applicable, the
2 California Elections Code.

3 Section 11. This City Council acknowledges that the City Clerk has
4 caused to be delivered to the sole qualified elector of the District a ballot in the form set
5 forth in Exhibit A hereto. The ballot indicates the number of votes to be voted by the
6 landowner.

7 The ballot was accompanied by all supplies and written instructions
8 necessary to the use and return of the ballot. The envelope to be used to return the ballot
9 was enclosed with the ballot, had the return postage prepaid, and contained the
10 following: (a) the name and address of the landowner, (b) a declaration, under penalty of
11 perjury, stating that the voter is owner of record or authorized representative of the
12 landowner entitled to vote and is the person whose name appears on the envelope, (c)
13 the printed name, signature and address of the voter, (d) the date of signing and place of
14 execution of the declaration pursuant to clause (b) above, and (e) a notice that the
15 envelope contains an official ballot and is to be opened only by the canvassing board.

16 Analysis and arguments with respect to the ballot measure have been
17 waived by the landowner voter, by means of the waiver contained in its voted ballot, as
18 permitted by Section 3.52.5218 of the Law. The City Council hereby concurs in said
19 waiver.

20 Section 12. The City Clerk shall accept the ballot of the qualified elector in
21 the City Council Chambers upon and prior to the adoption of this Resolution, whether
22 said ballot be personally delivered or received by mail.

23 Section 13. This City Council hereby further finds that the provision of
24 Section 3.52.5217A. of the Law requiring a minimum of 5 days following the adoption of
25 the resolution of calling the election to elapse before said special election is for the
26 protection of the qualified elector of the District. The voted ballot of the sole qualified
27 elector of the District contains a waiver of the time for said special election. Accordingly,
28 this City Council finds and determines that said qualified elector has been fully apprised

1 of and has agreed to the shortened time for the election and has thereby been fully
2 protected in these proceedings. This City Council also finds and determines that the City
3 Clerk has concurred in the shortened time for the election.

4 Section 14. This resolution shall take effect immediately upon its adoption
5 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

6 I hereby certify that the foregoing resolution was adopted by the City
7 Council of the City of Long Beach at its meeting of _____, 2008, by the
8 following vote:

9 Ayes: Councilmembers: _____

10 _____

11 _____

12 Noes: Councilmembers: _____

13 _____

14 _____

15 Absent: Councilmembers: _____

16 _____

17 _____

18 _____
City Clerk

EXHIBIT A

OFFICIAL BALLOT

SPECIAL ELECTION

(March 11, 2008)

COMMUNITY FACILITIES DISTRICT NO. 5
(LONG BEACH TOWNE CENTER)
OF THE CITY OF LONG BEACH

This ballot is for a special, mailed ballot election. You must return this ballot in the enclosed postage paid envelope to the office of the City Clerk of the City of Long Beach no later than immediately after adoption of the resolution of the City Council calling said election, either by mail or in person. The City Clerk's office is located at 333 West Ocean Boulevard, Long Beach, California, 90802.

To vote, mark a cross (X) in the voting square after the word "YES" or after the word "NO". All marks otherwise made are forbidden. All distinguishing marks are forbidden and make the ballot void.

If you wrongly mark, tear, or deface this ballot, return it to the City Clerk of the City of Long Beach and obtain another.

BALLOT MEASURE: Shall the facilities authorized to be financed by Community Facilities District No. 5 (Long Beach Towne Center) of the City of Long Beach (the "District") be altered as described in the resolution of the City Council of the City of Long Beach adopted February 19, 2008, entitled "A Resolution of the City Council of the City of Long Beach of Consideration to Alter the Facilities Authorized to be Financed By Community Facilities District No. 5 (Long Beach Towne Center)"?

Yes _____

No _____

By execution below, you also indicate your waiver of the time limit pertaining to the conduct of the election and any requirement for analysis and arguments with respect to the ballot measure, as such waivers are described and permitted by Sections 3.52.5217A and 3.52.5218 of the Long Beach Special Tax Financing Improvement Law.

Number of Votes: 82

Property Owner: City of Long Beach, California

By: _____
Director of Financial Management

By our execution below, we hereby acknowledge our support for the Ballot Measure indicated in the attached Official Ballot-Special Election (March 4, 2008), and for the waivers described in the last paragraph of said Official Ballot.

CREA/PPC Long Beach Towne Center PO,
LLC, a Delaware limited liability company

By: CREA/PPC Venture, LLC, a Delaware
limited liability company, its sole member

By: Massachusetts Mutual Life Insurance
Company, a Massachusetts corporation,
managing member

By: Cornerstone Real Estate Advisers, Inc.,
a Massachusetts corporation, its authorized
agent

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____