



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:


fw PATRICK H. WEST
CITY MANAGER

1 RESOLUTION NO.

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH AUTHORIZING THE ISSUANCE OF
5 SPECIAL TAX BONDS FOR COMMUNITY FACILITIES
6 DISTRICT NO. 5 (LONG BEACH TOWNE CENTER) OF THE
7 CITY OF LONG BEACH, AND APPROVING OTHER
8 RELATED DOCUMENTS AND ACTIONS
9

10 WHEREAS, this City Council has conducted proceedings under and
11 pursuant to the provisions of the Long Beach Special Tax Financing Improvement Law,
12 Long Beach Municipal Code Section 3.52.511 et seq. (the "Law"), to form Community
13 Facilities District No. 5 (Long Beach Towne Center) of the City of Long Beach (the
14 "District"), to authorize the levy of special taxes upon the land within the District, and to
15 issue bonds secured by the special taxes the proceeds of which were to be used to
16 finance certain public improvements (the "Facilities"); and

17 WHEREAS, pursuant to the Law, on May 4, 2000, the City issued
18 \$15,385,000 principal amount of special tax bonds for the District (the "Prior Bonds") to
19 finance the Facilities; and

20 WHEREAS, this City Council recently has conducted proceedings under the
21 Law to authorize the District to fund additional public improvements (the "Additional
22 Facilities") and the District is now fully authorized to finance the costs of the Additional
23 Facilities; and

24 WHEREAS, this City Council has determined that, due to favorable interest
25 rates, it is in the best interests of the City and the District that the Prior Bonds be
26 refunded, and that funds be raised by the District to finance the Additional Facilities; and

27 WHEREAS, there have been submitted to this City Council certain
28 documents providing for the issuance of bonds of the City for the District (the "Bonds")

1 and the use of the proceeds of the Bonds to refund the Prior Bonds and to finance the
2 Additional Facilities and this City Council, with the aid of City staff, has reviewed said
3 documents and found them to be in proper order; and

4 WHEREAS, on December 21, 1999, this City Council adopted Resolution
5 No. C-27626 approving Local Goals and Policies for Community Facilities Districts
6 Related to Commercial Development (the "Goals and Policies"); and

7 WHEREAS, the proposed Bond financing program approved by this
8 Resolution is consistent with the Goals and Policies; and

9 WHEREAS, following the adoption of this Resolution, all conditions, things
10 and acts required to exist, to have happened and to have been performed precedent to
11 and in the issuance of the Bonds as contemplated by the Law, this Resolution and the
12 documents referred to herein exist, will have happened and will have been performed in
13 due time, form and manner as required by the laws of the State of California, including
14 the Law;

15 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
16 follows:

17 Section 1. Pursuant to the Law, this Resolution and the Fiscal Agent
18 Agreement (hereafter defined), special tax bonds of the City for the District (herein
19 referred to as the "Bonds", and to be designated as "Community Facilities District No. 5
20 (Long Beach Towne Center) of the City of Long Beach 2008 Special Tax Bonds"), in an
21 aggregate principal amount not to exceed \$15,000,000, are hereby authorized to be
22 issued and sold as provided below. The Bonds shall be executed in the form set forth in
23 and otherwise as provided in the Fiscal Agent Agreement.

24 In connection with the authorization, sale and issuance of the Bonds, the
25 City Council hereby makes the following determinations: (a) pursuant to the Goals and
26 Policies, (i) the appraisal, dated January 25, 2008 of Stephen G. White, MAI, of the
27 leasehold interest in the land in the District subject to the levy of special taxes to repay
28 the Bonds has been prepared in a manner consistent with the Goals and Policies and

1 satisfactory leasehold value to lien ratios exist, and (ii) the structure of the proposed
2 financing is consistent with the applicable sections of the Goals and Policies; (b) the
3 proposed financing satisfies the requirements of a minimum 3:1 value to lien ratio
4 required by the Goals and Policies; and (c) the sale of the Bonds at a negotiated sale as
5 contemplated by the Purchase Contract (defined below) will result in a lower overall cost.

6 For purposes of Section 3.52.5621 of the Law, the City Council hereby
7 determines that the total net interest cost to the maturity on the portion of the Bonds
8 allocable to the refunding of the Prior Bonds plus the principal of such portion of the
9 Bonds will not exceed the total net interest cost to maturity on the Prior Bonds to be
10 refunded plus the principal amount of the Prior Bonds to be refunded. For purposes of
11 Section 3.52.5622 of the Law, (i) it is anticipated that the refunding of the Prior Bonds will
12 occur on March 31, 2008, (ii) the date, denominations, maturity dates, places of payment
13 and form of the Bonds shall be as set forth in the Fiscal Agent Agreement, (iii) the
14 minimum rate of interest to be paid on the Bonds shall be one percent (1%) with the
15 actual rate or rates to be set forth in the Fiscal Agent Agreement as executed, (iv) the
16 place of payment for the Prior Bonds shall be as set forth in the Prior Fiscal Agent
17 Agreement; and (v) the form of the Bonds shall be as set forth in the Fiscal Agent
18 Agreement. For purposes of Section 3.52.5625 of the Law, the City Council hereby finds
19 that the special taxes to be levied in the District to pay the debt service on the portion of
20 the Bonds allocable to the financing of the Additional Facilities will not be greater than
21 any reduction in special taxes levied in the District that would otherwise have occurred
22 from the refunding of the Prior Bonds, so that, effectively, the savings achieved through
23 the refunding of the Prior Bonds is being used in accordance with Section 3.52.5625 of
24 the Law.

25 Section 2. The fiscal agent agreement (the "Fiscal Agent Agreement")
26 with respect to the Bonds, in the form on file in the City Attorney's office, is hereby
27 approved. The City Manager, Director of Financial Management or City Treasurer (each
28 being a "Designated Officer" and, collectively, the "Designated Officers"), each acting

1 alone, are hereby authorized to execute and deliver the Fiscal Agent Agreement in said
2 form, together with such additions thereto or changes therein as are approved by the
3 Designated Officer executing such document upon consultation with the City Attorney
4 and Bond Counsel, the approval of such additions or changes to be conclusively
5 evidenced by the execution and delivery of the Fiscal Agent Agreement by a Designated
6 Officer. The date, manner of payment, interest rate or rates, interest payment dates,
7 denominations, form, registration privileges, manner of execution, place of payment,
8 terms of redemption and other terms of the Bonds shall be as provided in the Fiscal
9 Agent Agreement as finally executed.

10 Section 3. The City Council hereby approves the refunding of the Prior
11 Bonds with proceeds of the Bonds and other funds of the District available for such
12 purpose, in accordance with the provisions of the Fiscal Agent Agreement and the
13 Escrow Agreement between the City and the fiscal agent for the Prior Bonds, as escrow
14 bank (the "Escrow Agreement"). The City Council hereby approves the Escrow
15 Agreement in the form on file in the City Attorney's office. The Designated Officers, each
16 acting alone, are hereby authorized to execute and deliver the Escrow Agreement in said
17 form, with such additions thereto or changes therein as are deemed necessary, desirable
18 or appropriate by the Designated Officer executing such document upon consultation with
19 the City Attorney and Bond Counsel, the approval of such changes to be conclusively
20 evidenced by the execution and delivery by a Designated Officer of the Escrow
21 Agreement.

22 Section 4. The bond purchase agreement for the Bonds (the "Purchase
23 Contract") between the City and E.J. De La Rosa & Co., Inc. and UBS Securities LLC
24 (collectively, the "Underwriter"), in the form on file in the City Attorney's office, is hereby
25 approved. The Designated Officers, each acting alone, are hereby authorized to accept
26 the offer of the Underwriter to purchase the Bonds contained in the Purchase Contract
27 (provided that the aggregate principal amount of the Bonds sold thereby is not in excess
28 of \$15,000,000, the net interest cost of the Bonds is not in excess of 6.50%, and the

1 Underwriters' discount is not in excess of 2.50% of the aggregate principal amount of the
2 Bonds), and to execute and deliver the Purchase Contract in said form, with such
3 additions thereto or changes therein as are recommended or approved by the
4 Designated Officer executing such document upon consultation with the City Attorney
5 and Bond Counsel, the approval of such additions or changes to be conclusively
6 evidenced by the execution and delivery of the Purchase Contract by a Designated
7 Officer. The firm of E.J. De La Rosa & Co., Inc. is hereby designated as lead underwriter
8 for the Bonds, and the firm of UBS Securities LLC is hereby designated as co-underwriter
9 for the Bonds, and any prior designation of underwriter for the Bonds is hereby revoked.

10 Section 5. The official statement relating to the Bonds (the "Official
11 Statement"), in the form on file in the City Attorney's office, is hereby approved. The
12 Designated Officers each acting alone, are hereby authorized to execute the Official
13 Statement in said form, with such additions thereto or changes therein as are
14 recommended or approved by the Designated Officer executing such document upon
15 consultation with the City Attorney and Bond Counsel, the approval of such additions or
16 changes to be conclusively evidenced by the execution and delivery of said Official
17 Statement by a Designated Officer. The Underwriter is hereby authorized to distribute
18 copies of the Official Statement to persons who may be interested in the purchase of the
19 Bonds and is directed to deliver such copies to all actual purchasers of the Bonds.
20 Distribution of a preliminary official statement relating to the Bonds is hereby approved
21 and authorized.

22 The Director of Financial Management and the City Treasurer, each acting
23 alone, are hereby authorized to execute a certificate or certificates to the effect that the
24 Official Statement and such preliminary official statement were deemed "final" as of their
25 respective dates for purposes of Rule 15c2-12 of the Securities Exchange Act of 1934, as
26 amended, and each are authorized to so deem such statements final.

27 Section 6. The Bonds, when executed by a Designated Officer, each of
28 whom are hereby authorized to so execute the Bonds, shall be delivered to the Fiscal

1 Agent for authentication. The Fiscal Agent is hereby requested and directed to
2 authenticate the Bonds by executing the Fiscal Agent's certificate of authentication and
3 registration appearing thereon, and to deliver the Bonds, when duly executed and
4 authenticated, to the Underwriter in accordance with written instructions executed on
5 behalf of the City by the Director of Financial Management or the City Treasurer, which
6 instructions each such officer is hereby authorized to execute and deliver to the Fiscal
7 Agent. Such instructions shall provide for the delivery of the Bonds to the Underwriter
8 upon payment of the purchase price therefore as specified in the Purchase Contract.

9 Section 7. The Continuing Disclosure Agreement of the City and the
10 Rent Credit Agreement ("Rent Agreement"), in the respective forms on file in the City
11 Attorney's office, are hereby approved. The Designated Officers, each acting alone, are
12 hereby authorized to execute and deliver the Continuing Disclosure Agreement of the
13 City and the Rent Agreement in said forms, with such additions thereto or changes
14 therein as are deemed necessary, desirable or appropriate by the Designated Officer
15 executing such documents upon consultation with the City Attorney and Bond Counsel,
16 the approval of such changes to be conclusively evidenced by the execution and delivery
17 by a Designated Officer of the Continuing Disclosure Agreement of the City and the Rent
18 Agreement.

19 Section 8. The City hereby covenants, for the benefit of the Bondowners,
20 to commence and diligently pursue to completion any foreclosure action regarding
21 delinquent installments of any amount levied as a special tax for the payment of interest
22 or principal of the Bonds, said foreclosure action to be commenced and pursued as more
23 completely set forth in the Fiscal Agent Agreement.

24 Section 9. All actions heretofore taken by the officers and agents of the
25 City with respect to the establishment of the District, the authorization for the District to
26 finance the Additional Facilities, the sale and issuance of the Bonds and the refunding of
27 the Prior Bonds are hereby approved, confirmed and ratified, and the proper officers of
28 the City, including the Designated Officers, are hereby authorized and directed to do any

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

1 and all things and take any and all actions and execute any and all certificates,
2 agreements and other documents, which they, or any of them, may deem necessary or
3 advisable in order to consummate the lawful issuance and delivery of the Bonds and the
4 refunding of the Prior Bonds in accordance with this Resolution and the Fiscal Agent
5 Agreement, and any certificate, agreement, and other document described in the
6 documents herein approved.

7 Section 10. This resolution shall take effect immediately upon its adoption
8 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

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

12 Ayes: Councilmembers: _____
13 _____
14 _____
15 _____

16 Noes: Councilmembers: _____
17 _____

18 Absent: Councilmembers: _____
19 _____
20 _____

City Clerk

27
28 HAM:fl
2/7/08; rev. 3/6/08
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