



Legislation Text

File #: 06-0889, **Version:** 1

Recommendation to adopt resolution authorizing issuance and sale of the 2006 Open Space lease revenue bonds to fund the expansion of parks and open space in underserved communities, in an amount not to exceed \$25 million, and authorize City Manager to execute all necessary documents. (District 1,2,4,6,7,9)

On June 20, 2006, the City Council approved an action authorizing the City Manager to envelope bond documents in preparation to finance the expansion of parks and open space in under served communities ; and return to the City Council with the proposed financing and issuance of debt in an amount not to exceed \$25 million (Attachment A).

This action was subsequent to an action taken at the Council meeting of August 9, 2005 directing staff to research possible financing options for such a debt issue. The proposed projects (Attachment B) will go a long way in addressing the City's open space policy to expand park space in the central, north and west neighborhoods. 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 being proposed in areas where parks do not currently exist . As the sites exist within Community Development Block Grant (CDBG) and Redevelopment areas, staff is recommending these funds be used to support a new park bond.

This item was reviewed by Assistant City Attorney Heather A. Mahood and City Treasurer David Nakamoto on September 6, 2006.

Although long-term interest rates continue to be relatively low, they also remain volatile and are projected to rise. City Council action on this item is requested on September 19, 2006, as a delay could result in the bonds being issued at a higher interest rate resulting in an additional interest expense, and less net bond proceeds available for projects.

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 the Open Space Bond cost prohibitive. Given this constraint, staff is recommending the City issue Open Space Bonds backed by the General Fund, with the intent of making annual debt service payments utilizing CDBG, Redevelopment and Park Impact Fees. Given the City's solid credit rating, this financing structure is anticipated to provide for the most favorable interest rates.

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. With the assistance of a team of financial advisors, the City has developed a structure that reduces the impacts on CDBG funded programs. It is anticipated that in each of the first ten years, debt service will be approximately \$1 million. To cover this payment, it will be necessary to eliminate some CDBG funded programs.

This activity was discussed with the Community Development Advisory Commission (CDAC) in a series of public meetings. CDAC supported the allocation of \$600,000 annually toward the open space bond payments at their meeting on April 19, 2006. The balance of funding will come from Redevelopment and Park Impact fees. The City received written approval of this proposal by the U.S. Department of Housing and Urban Development.

Staff is also recommending that a portion of future Redevelopment Agency (Agency) loan repayments to the City be used for 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 is recommending an Open Space Bond repayment schedule to minimize debt service payments through 2018, with increasing annual debt service payments to coincide with the Agency repayments to the City .

Approval of the attached Resolution will authorize the City Manager to issue new debt for open space in an amount not to exceed \$25 million. City assets are being pledged as collateral in support of this bond issue, and will be unavailable to support other future indebtedness (Attachment C). Beyond the cost of the proposed debt, the expansion of park space will obligate future General Fund resources for maintenance, staffing and other related expenses. Such resources have not been identified and thus will need to be addressed in future budget discussions.

Approve recommendation.

PATRICK H . WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:

GERALD R. MILLER
CITY MANAGER