



Legislation Text

File #: 08-0186, **Version:** 2

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

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, CREAIPPC 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.

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.

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.

Approve recommendation.

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

NAME Lori Ann Farrell
TITLE Director of Financial Management

APPROVED:

PATRICK H. WEST
CITY MANAGER