

# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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January 23, 2007

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION

Adopt the attached Resolution of Intention to incur bonded indebtedness of the proposed City of Long Beach Community Facilities District No. 2007-1 (Douglas Park-Commercial Area) Improvement Area A not to exceed \$16 million and Improvement Area B not to exceed \$13.5 million, and set date of public hearing for February 20, 2007. (District 5)

## DISCUSSION

The City of Long Beach and McDonnell Douglas Corporation, a wholly-owned subsidiary of the Boeing Company, are parties to a Development Agreement recorded on June 2, 2005, as document number 05-1290603 in the Los Angeles County Recorder's Office relating to the development of the area of the City known as Douglas Park. Section 8.23 of the Development Agreement provides that McDonnell Douglas Corporation, through its corporate agent, Boeing Realty Corporation, may propose that the City initiate proceedings to form one or more public financing districts to finance costs of public improvements and facilities in connection with the development of Douglas Park.

The City has now received Petitions (including Waivers) from McDonnell Douglas Corporation and from Douglas Park 1-2, LLC (an entity that recently purchased property in Douglas Park) formally requesting that the City initiate proceedings to form a community facilities district (CFD) that would include the land entitled for commercial development in Douglas Park, and that the CFD contain two improvement areas designated as Improvement Area A and Improvement Area B. Under a separate City Council letter, a resolution of intention to form the CFD is being submitted. The resolution of intention to form the CFD precedes this action.

Adoption of the attached Resolution declares the intention of the City Council to incur debt on behalf of the proposed CFD.

The Long Beach Municipal Code (LBMC), Division V, in Chapter 3.52, Long Beach Special Tax Financing Improvement Law, provides a mechanism to finance public and private capital facilities and services. It authorizes the formation of CFDs. Once formed, a CFD can finance facilities and provide services through payment of a special

tax levied against the landowners in the CFD. These special taxes also may be used to pay debt service on bonds issued to finance eligible facilities.

Section 3.52.561 of the LBMC requires that City Council, by resolution, deem it necessary for a proposed CFD to incur bonded indebtedness, and state the amount of the proposed debt, purpose for which the proposed debt is to be incurred, and the time and place for a hearing by the City Council on the proposed debt issue.

The Resolution provides that maximum bonded indebtedness for the improvement areas of the CFD is \$16,000,000 for Improvement Area A and \$13,500,000 for Improvement Area B, and the maximum special tax authorized to be levied in the CFD is expected to be set at \$15,047 per acre for Fiscal Year 2007-2008, subject to annual inflationary increases. If approved, special taxes for the CFD would be levied in accordance with the proposed Rate and Method of Apportionment of Special Tax for the proposed Improvement Areas of the CFD.

On December 21, 1999, the City Council adopted Local Goals and Policies for Community Facilities Districts Related to Commercial Development (Attachment A). These require certain lien-to-value ratios and provide for other financing restrictions applicable to bonds issued for CFDs. To satisfy these goals and policies as they apply to the proposed Douglas Park commercial area CFD, the City has contracted with an independent appraiser to provide a valuation of the property in Improvement Area A of the CFD. The appraisal is underway and is expected to be completed in Spring 2007. An absorption study will also be commissioned to determine if the proposed development will be impaired by the proposed special taxes and bonded debt. The Deposit/Reimbursement Agreement with McDonnell Douglas Corporation approved by City Council on January 16, 2007 is funding these expenses.

Following a public hearing to be scheduled for February 20, 2007, a special election will be held at which landowners in the proposed CFD will vote on forming the CFD, assessing the Special Tax and the proposed bonded indebtedness for the Improvement Areas of the CFD. This Resolution provides for a public hearing on the proposed debt issuance; scheduled on February 20, 2007 at 5:00 p.m.

As described in the other City Council Letter on the Resolution of Intention to form this CFD, boundaries are proposed for the two commercial improvement areas, which comprise the CFD. It is expected that sometime in the future the Corporation will request that the City undertake another CFD formation process that would include the portion of the Douglas Park area intended for residential development, to pay costs of the public improvements not funded with the commercial CFD and to provide additional monies for certain public services.

This item was reviewed by Assistant City Attorney Heather A. Mahood on January 16, 2007 and Budget Management Officer David Wodynski on January 12, 2007.

TIMING CONSIDERATIONS

City Council action on this item is requested on January 23, 2007, to support activities and proceedings to incur debt after formation of the CFD.

FISCAL IMPACT

There is no fiscal impact to the City associated with the requested action. All bond proceeds and CFD revenue will be collected in, and expended from a CFD trust account.

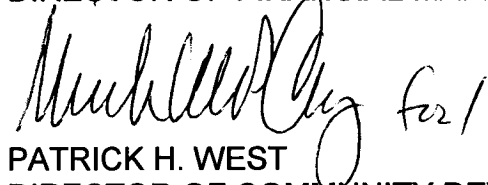
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW  
DIRECTOR OF FINANCIAL MANAGEMENT



PATRICK H. WEST  
DIRECTOR OF COMMUNITY DEVELOPMENT

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ATTACHMENTS

APPROVED:



GERALD R. MILLER  
CITY MANAGER

## CITY OF LONG BEACH

### LOCAL GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS RELATED TO COMMERCIAL DEVELOPMENT (Adopted December 21, 1999)

**I. INTRODUCTION.** Section 53312.7(a) of the California Government Code requires that the City consider and adopt local goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (the "Act"), prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district ("CFD") under the Act. The following goals and policies are intended to apply solely to community facilities districts related to commercial development, and are intended to meet the minimum requirements of the Act. These local goals and policies may be amended or supplemented by resolution of the City Council at any time.

**II. GOALS.** The City will consider the use of the Act for financing of public facilities and services only in connection with development projects which are the subject of a written development agreement with the City, an owner participation agreement with the Redevelopment Agency of the City of Long Beach (the "Agency"), or are otherwise incident to development or redevelopment of a commercial area of the City. Any request for a CFD which is not integral to such a commercial development project will be considered on a case by case basis.

The City shall make the determination as to whether a proposed district shall proceed under the provisions of the California assessment laws or the Act. The City may confer with consultants and the applicant to learn of any unique CFD requirements such as facilities serving the regional area prior to making any final determination.

**III. ELIGIBLE PUBLIC FACILITIES AND SERVICES.** The improvements eligible to be financed by a CFD must be owned by a public agency or public utility, and must have a useful life of at least five (5) years, except that up to five percent of the proceeds of an issue may be used for facilities owned and operated by a privately-owned public utility. The development or redevelopment proposed within a CFD must be consistent with the City's general plan and must have received any required legislative and environmental approvals such as zoning, CEQA or specific plan approvals. A CFD shall not vest any rights to future land use on any properties, including those which are responsible for paying special taxes.

The list of eligible public facilities include, but are not limited to, the following:

- Streets
- Street lighting
- Traffic signals and safety lighting
- Landscaping on public property or in public easements
- Sanitary sewer facilities
- Storm drain facilities
- Public parking structures or surface lots
- Flood control facilities
- Potable and reclaimed water facilities
- Parks and recreational facilities
- Child care facilities
- Public utilities
- Cultural facilities
- Police and fire protection facilities
- Governmental facilities.
- Fire Suppression

The funding of public facilities to be owned and operated by public agencies other than the City shall be considered on a case-by-case basis. If the proposed financing is consistent with a public facilities financing plan approved by the City, or the proposed facilities are otherwise consistent with approved land use plans for the property, the City shall consider entering into a joint financing agreement or joint powers authority in order to finance these facilities. A joint agreement with the public agency that will own and operate any such facility must be entered into prior to the resolution of formation of any CFD.

CFDs may also be formed for the purpose of refinancing any fixed special assessment or other governmental lien on property, to the extent permitted under the Act.

The City will consider on a case-by-case basis CFDs established for the provisions of services eligible to be funded under the Act. Eligible services are as specified in the Act.

**IV. PRIORITIES FOR CFD FINANCING.** Priority for CFD financing shall be given to public facilities which: (a) are necessary for development to proceed in an orderly fashion, or (b) are otherwise coordinated to correspond to the phasing of the related private development project. If appropriate, the City shall prepare a public facilities financing plan as a part of the specific plan or other land use document that identifies the public facilities required to serve a project, and the type of financing to be utilized for each facility. The City will attempt to schedule construction of CFD financed facilities in a manner such that private development will not occur ahead of the installation of public infrastructure necessary to support that development.

**V. CREDIT QUALITY REQUIREMENTS FOR CFD BOND ISSUES.** All CFD bond issues should have at least a three to one property value to public lien ratio after calculating the value of the financed public improvements to be installed, unless otherwise specifically approved by the City Council as provided in Section 53345.8(b) or (c) of the Act. Property value may be based on either an appraisal or on assessed values as indicated on the county assessor's tax roll. The appraiser shall be selected by or otherwise acceptable to the City, and the appraisal shall be based on standards promulgated by the State of California and otherwise determined applicable by City staff and consultants. The appraisal must be dated within nine months of the date the bonds are issued. The public lien amount shall include the bond issue currently being sold plus any public indebtedness secured by a lien on real property currently existing against the properties to be taxed.

The City will require that all major land use approvals and governmental permits necessary for development be substantially in place relative to any such CFD, before bonds may be issued.

In most cases, a reserve fund equal to the lesser of (i) ten percent of the original proceeds of the bond issue, (ii) the maximum annual debt service on the bonds, or (iii) one hundred twenty-five percent of the average annual debt service on the bonds will be required for all bond issues for CFDs where less than fifty percent of the buildable acreage has been developed. A smaller reserve fund may be required by the City for bond issues in CFDs where over fifty percent of the buildable acreage has been developed, or where the bond issue is to refinance existing assessment or special tax liens.

Less than a three to one property value to public lien ratio, excessive tax delinquencies, or projects of poor economic viability may cause the City to disallow the sale of bonds or require credit enhancement prior to bond sale. The City may consider exceptions to the above policies for bond issues that do not represent an unusual credit risk, either due to credit enhancement

or other reasons specified by the City, and/or which otherwise provide extraordinary public benefits, to the extent permitted by and subject to any applicable requirements of the Act.

If the City requires letters of credit or other security, the credit enhancement shall be issued by an institution, in a form and upon terms and conditions satisfactory to the City. Any security required to be provided by the applicant may be discharged by the City upon the opinion of a qualified appraiser, retained by the City, that a value-to-lien ratio of three to one has been attained or based upon other criteria (such as diversity in ownership or status of lease-up) specified by the City.

As an alternative to providing other security, the applicant may request that a portion of the bond proceeds be placed in escrow with a trustee or fiscal agent in an amount sufficient to assure a value-to-lien ratio of at least three to one on the outstanding proceeds. The proceeds shall be released at such times and in such amounts as may be necessary to assure a value-to-lien ratio of at least three to one on the aggregate outstanding bond proceeds and other indebtedness secured by real property liens as required, or upon the provision of other security for the Bonds (such as a letter of credit).

## **VI. DISCLOSURE REQUIREMENTS FOR PROSPECTIVE PROPERTY PURCHASERS.**

A. Disclosure Requirements for Developers. Developers who are selling lots, parcels or leasehold interests therein that are within a CFD and subject to special tax levies of the CFD shall provide disclosure notice to prospective purchasers (or lessees, as applicable) that complies with all of the requirements of Section 53341.5 of the Government Code. The disclosure notice must be provided to prospective purchasers of property (or lessees, as applicable) at or prior to the time the contract or deposit receipt for the purchase (or lease) of property is executed. Developers shall keep an executed copy of each disclosure document as evidence that disclosure has been provided to all purchasers (or lessees, as applicable) of property within a CFD.

B. Disclosure Requirements for the Resale of Lots. The City Treasurer shall provide a notice of special taxes to sellers of property (other than developers) which will enable them to comply with their notice requirements under Section 1102.6 of the Civil Code. This notice shall be provided by the City within five working days of receiving a written request for the notice. A reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act.

C. Compliance With Federal Securities Laws. The City shall use all reasonable means to ensure compliance with applicable federal securities laws in connection with the issuance of debt and the provision of annual information regarding any CFD established by the City with respect to which bonds have been issued, including requiring any developer in a CFD who is material to the bond issue to transmit appropriate information to the City or its designee for disclosure to bond investors.

## **VII. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES.**

Special tax formulas for CFDs shall provide for minimum special tax levels which satisfy the following expenses of a CFD: (a) debt service coverage for all CFD bonded indebtedness, (b) the administrative expenses of the CFD, and (c) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the CFD. Additionally, the special tax formula may provide for the following: (a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD, (b) the accumulation of funds reasonably required for future debt service, (c) amounts

equal to reasonably projected delinquencies of special tax payments, (d) the costs of remarketing, credit enhancement and liquidity facility fees, (e) the cost of acquisition, construction, furnishing or equipping of facilities, (f) lease payments for existing or future facilities, (g) costs associated with the release of funds from an escrow account, and (h) any other costs or payments permitted by law.

The special tax formula shall be reasonable in allocating public facilities' costs to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

The total projected property tax levels for any CFD shall not exceed any maximum specified in the Act. The annual increase, if any, in the maximum special tax for any parcel shall not exceed any maximum specified in the Act. The increase in the special tax levied on any parcel as a consequence of delinquency or default by the owner of any other parcel shall not exceed any maximum specified in the Act.

Special taxes will only be levied on an entire County Assessor's parcel, and any allocation of special tax liability of a County Assessor's parcel to leasehold or possessory interest in the fee ownership of such County Assessor's parcel shall be the responsibility of the lessee or owner of the possessory interest. Failure of the owner of any County Assessor's parcel (or an interest therein) to pay or cause to be paid any special taxes in full when due, shall subject the entire parcel (or such interest as to which the levy has been made) to foreclosure in accordance with the Act.

The City may retain a special tax consultant to prepare a report which: (a) recommends a special tax for the proposed CFD, and (b) evaluates the special tax proposed to determine its ability to adequately fund identified public facilities, City administrative costs, services (if applicable) and other related expenditures. Such analysis shall also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes and assessments on the properties within the CFD.

**VIII. APPRAISALS.** The definitions, standards and assumptions to be used for appraisals shall be determined by City staff on a case-by-case basis, with input from City consultants and CFD applicants, and by reference to relevant materials and information promulgated by the State of California. In any event, the value-to-lien ratio shall be determined based upon an appraisal by an independent MAI or ASA appraiser of the proposed CFD. The appraisal shall be coordinated by and under the direction of, or otherwise as acceptable to, the City.

**IX. TERMS AND CONDITIONS OF BONDS.** All terms and conditions of the bonds shall be established by the City. The City will control, manage and invest all bond proceeds. Each bond issue shall be structured to adequately protect bond owners and to not negatively impact the bonding capacity or credit rating of the City through the special taxes, credit enhancements, foreclosure covenant and reserve funds.

All statements and material related to the sale of bonds shall emphasize and state that neither the faith, credit nor the taxing power of the City is pledged to security or repayment of the Bonds. The sole source of pledged revenues to repay CFD bonds are special taxes, bond proceeds and reserve funds held under the bond document, and the proceeds of foreclosure

proceedings and additional security instruments or pledges expressly provided at the time of bond issuance.

**X. CFD COST DEPOSITS AND REIMBURSEMENTS.** All City and consultant costs incurred in the evaluation of CFD applications and the establishment of CFDs will be paid by the entity, if any, requesting the establishment of the CFD by advance deposit increments, except in the case of a CFD required to be formed under a disposition and development agreement to which the City is a party.

**XI. USE OF CONSULTANTS.** The City shall select all consultants necessary for the formation of the CFD and the issuance of bonds, including the underwriter(s), bond counsel, financial advisors, appraiser and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the City of the consulting and financing team.

**XII. EXCEPTIONS TO THESE POLICIES.** The City may find that a waiver to any of the above stated policies is reasonable given identified benefits to be derived from such waiver. Such waivers only will be granted by action of the City Council.



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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF LONG BEACH DECLARING INTENTION TO  
INCUR BONDED INDEBTEDNESS OF THE PROPOSED  
IMPROVEMENT AREAS A AND B OF THE CITY OF LONG  
BEACH COMMUNITY FACILITIES DISTRICT NO. 2007-1  
(DOUGLAS PARK – COMMERCIAL AREA)

WHEREAS, this City Council has this date adopted a Resolution entitled  
“A Resolution of the City Council of the City of Long Beach Declaring Intention to  
Establish a Community Facilities District and To Authorize the Levy of Special Taxes  
Therein – Douglas Park Commercial Area,” stating its intention to form a community  
facilities district pursuant to the Long Beach Special Tax Financing Improvement Law  
(the “Law”), and designating two improvement areas therein, all for the purpose of  
financing the costs of certain public improvements (the “Facilities”) and certain  
municipal services as further provided in said Resolution; and

WHEREAS, in order to finance costs of the Facilities, it is necessary to  
incur bonded indebtedness for each improvement area of the District in the respective  
maximum amounts listed below;

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

Section 1. It is necessary to incur bonded indebtedness within the  
boundaries of the proposed Improvement Area A of the City of Long Beach Community  
Facilities District No. 2007-1 (Douglas Park – Commercial Area) (“Area A”) in the  
amount of not to exceed \$16,000,000 to finance a portion of the costs of the Facilities.  
It is necessary to incur bonded indebtedness within the boundaries of the proposed

1 Improvement Area B of the City of Long Beach Community Facilities District No. 2007-1  
2 (Douglas Park – Commercial Area) (“Area B”) in the amount of not to exceed  
3 \$13,500,000 to finance a portion of the costs of the Facilities.

4           Sec. 2.       The bonded indebtedness for each improvement area  
5 described in Section 1 is proposed to be incurred for the purpose of financing a portion  
6 of the costs of the Facilities, including costs incidental to or connected with the  
7 accomplishment of said purposes and of the financing thereof.

8           Sec. 3.       This City Council, acting as legislative body for Area A,  
9 intends to authorize the issuance and sale of bonds in the maximum aggregate  
10 principal amount of \$16,000,000, bearing interest payable semi-annually or in such  
11 other manner as this City Council shall determine, at a rate not to exceed the maximum  
12 rate of interest as may be authorized by applicable law at the time of sale of such  
13 bonds, and maturing not to exceed fifty (50) years from the date of the issuance of said  
14 bonds. This City Council, acting as legislative body for Area B, intends to authorize the  
15 issuance and sale of bonds in one or more series in the maximum aggregate principal  
16 amount of \$13,500,000, bearing interest payable semi-annually or in such other manner  
17 as this City Council shall determine, at a rate not to exceed the maximum rate of  
18 interest as may be authorized by applicable law at the time of sale of such bonds, and  
19 maturing not to exceed fifty (50) years from the date of the issuance of said bonds.  
20 Each issue of bonds for Area A or for Area B shall be in compliance with the City’s  
21 Local Goals and Policies for Community Facilities Districts Related to Commercial  
22 Development, as approved pursuant to Resolution No. C-27626 adopted by the City  
23 Council on December 21, 1999, unless specifically waived by this City Council.

24           Sec. 4.       Tuesday, February 20, 2007, at 5:00 p.m. or as soon  
25 thereafter as the matter may be heard, in the regular meeting place of this City Council,  
26 City Council Chambers, City Hall, 333 West Ocean Boulevard, Long Beach, California,  
27 be, and the same are hereby appointed and fixed as the time and place when and  
28 where this City Council, as legislative body for each improvement area of the District



## EXHIBIT A

### CITY OF LONG BEACH COMMUNITY FACILITIES DISTRICT NO. 2007-1 (DOUGLAS PARK – COMMERCIAL AREA)

#### NOTICE OF PUBLIC HEARING

Notice is hereby given that on January 23, 2007, the City Council of the City of Long Beach adopted a Resolution entitled “A Resolution of the City Council of the City of Long Beach Declaring Intention To Incur Bonded Indebtedness of the Proposed Improvement Areas A and B of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area).” Pursuant to the Long Beach Special Tax Financing Improvement Law, the City Council of the Authority hereby gives notice as follows:

A. The text of said Resolution is as follows:

WHEREAS, this City Council has this date adopted a Resolution entitled “A Resolution of the City Council of the City of Long Beach Declaring Intention to Establish a Community Facilities District and To Authorize the Levy of Special Taxes Therein – Douglas Park Commercial Area,” stating its intention to form a community facilities district pursuant to the Long Beach Special Tax Financing Improvement Law (the “Law”), and designating two improvement areas therein, all for the purpose of financing the costs of certain public improvements (the “Facilities”) and certain municipal services as further provided in said Resolution; and

WHEREAS, in order to finance costs of the Facilities, it is necessary to incur bonded indebtedness for each improvement area of the District in the respective maximum amounts listed below.

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

Section 1. It is necessary to incur bonded indebtedness within the boundaries of the proposed Improvement Area A of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area) (“Area A”) in the amount of not to exceed \$16,000,000 to finance a portion of the costs of the Facilities. It is necessary to incur bonded indebtedness within the boundaries of the proposed Improvement Area B of the City of Long Beach Community Facilities District No. 2007-1 (Douglas Park – Commercial Area) (“Area B”) in the amount of not to exceed \$13,500,000 to finance a portion of the costs of the Facilities.

Sec. 2. The bonded indebtedness for each improvement area described in Section 1 is proposed to be incurred for the purpose of financing a portion of the costs of the Facilities, including costs incidental to or connected with the accomplishment of said purposes and of the financing thereof.

Sec. 3. This City Council, acting as legislative body for Area A, intends to authorize the issuance and sale of bonds in the maximum aggregate principal amount of \$16,000,000, bearing interest payable semi-annually or in such other manner as this City Council shall determine, at a rate not to exceed the maximum rate of interest as may be authorized by applicable law at the time of sale of such

