



Legislation Details (With Text)

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On agenda:	9/16/2014	Final action:			9/16/2014
Title:	Recommendation to authorize the participation of the City of Long Beach as the Successor Agency to the Redevelopment Agency of the City of Long Beach in the County of Los Angeles Redevelopment Bond Refunding Program, and authorize the staff to pursue the refunding of one or more tax allocation bonds, subject to Oversight Board approval. (Citywide)				

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Date	Ver.	Action By	Action	Result
9/16/2014	1	As the Successor Agency to the Redevelopment Agency of the City of Long Beach	approve recommendation	Pass

Recommendation to authorize the participation of the City of Long Beach as the Successor Agency to the Redevelopment Agency of the City of Long Beach in the County of Los Angeles Redevelopment Bond Refunding Program, and authorize the staff to pursue the refunding of one or more tax allocation bonds, subject to Oversight Board approval. (Citywide)

Effective February 1, 2012, pursuant to Assembly Bill 1x 26 (AB1x 26), redevelopment agencies throughout the State were abolished and prohibited from engaging in future redevelopment activities. AB1x 26 provided for the formation of Successor Agencies (SAs), which have the responsibility of winding down outstanding obligations of the former redevelopment agencies.

On June 27, 2012, the State passed Assembly Bill 1484 (AB 1484), which included provisions permitting SAs to refund outstanding bonds or other obligations of a former redevelopment agency to achieve savings. A number of SAs have since refunded their existing redevelopment bonds to provide savings to taxing entities, while others are in the process of doing so.

Long Beach Successor Agency Tax Allocation Bonds

The City of Long Beach as Successor Agency (Long Beach SA) to the Redevelopment Agency of the City of Long Beach (Former RDA) could issue approximately \$130 million of bonds to refund several tax allocation bonds issued by the Former RDA. The issues being considered for refunding are the 2002 Series A, the 2002 Series B, the 2005 Series A-1, and the 2005 Series B. Based on current interest rates, a refunding would reduce existing debt payments by an average of \$640,000 each year for a total of approximately \$12.6 million over the life of the bonds, or "roughly \$8.8 million in today's dollars (net present value basis). If the market improves or additional efficiencies become

available, the Long Beach SA could issue approximately \$170 million of refunding bonds, which could generate as much as \$25 million of gross savings, or \$17 million of savings in today's dollars (net present value basis).

The County of Los Angeles Redevelopment Refunding Program

The County of Los Angeles (County) has developed a program to assist SAs in refinancing their outstanding redevelopment bonds (Program) efficiently and costeffectively. A County joint powers authority (County of Los Angeles Redevelopment Refunding Authority) will serve as the issuer of the bonds to refund the Former RDA debt. The County has a streamlined process that offers credit ratings, approval from the California Department of Finance, and preparation of continuing disclosure.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on August 19, 2014 and by Budget Management Officer Victoria Bell on August 28, 2014.

Authorization by the Long Beach SA is requested on September 16, 2014 which would enable the Oversight Board to take action on September 22, 2014 to facilitate the timely participation in the Program. It is expected that the refunding bonds would be sold in Fiscal Year 2015. Final approval of the refunding and legal documents would be requested of the Long Beach SA and the Oversight Board closer to the sale of the bonds.

Under current market conditions, the refunding will reduce existing Long Beach SA debt payments by approximately \$8.8 million in today's dollars (net present value basis). This will increase the "residual" property tax distribution to all affected taxing entities. The City's share of the additional residual property tax revenue from the Former RDA is approximately 21 percent. As a result, the City would expect to receive additional property tax revenues of approximately \$111,000 each year after completing the refunding. However, the administrative allowance to the Long Beach SA would be reduced by approximately \$16,000 each year. The Long Beach SA expects to be able to absorb the loss of administrative allowance.

If the market improves or additional efficiencies become available, savings from the refunding could potentially double. The City could receive a total of additional property tax revenues of as much as \$205,000 each year. The loss in annual administrative allowance to the Long Beach SA could be as much as \$30,000. The Long Beach SA is not expected to be able to absorb all of the administrative allowance loss and some of that loss, potentially about \$14,000 will need to be offset by the additional property tax. The net benefit to the City would be approximately \$191,000 a year.

Approve recommendation.

AMY J. BODEK, AICP
DIRECTOR OF DEVELOPMENT SERVICES

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
EXECUTIVE DIRECTOR