

# *City of Brisbane*

## *Agenda Report*

To: City Council via City Manager

From: Stuart Schillinger, Administrative Services Director

Subject: Potential refunding of the Brisbane Public Financing Authority 2001 A Bonds which will payoff the former redevelopment 2001 tax allocation bonds that refinanced the Brisbane Marina Bonds and Refunding 1998 Housing Bonds which funded senior housing project on Visitation Avenue.

Date: June 17, 2013

### **Purpose:**

Reduce the payment of the bonds used to pay for the Marina and for senior housing and return additional funds to all of the underlying taxing entities.

### **Recommendation:**

Approve City Resolution 2013-27 approving the issuance and sale by the Successor Agency of the Redevelopment Agency of the City of Brisbane of Tax Allocation Bonds to Refinance Redevelopment and Low and Moderate Income Housing Activities within and for the benefit of the Redevelopment Projects of the Former Redevelopment Agency of the City of Brisbane

Approve Brisbane Public Financing Authority Resolution No. BPFA 2013-02 authorizing execution and delivery of an Escrow Agreement in connection with the issuance and sale by the Successor Agency of the Redevelopment Agency of the City of Brisbane of Tax Allocation Refunding Bonds to refinance Redevelopment Activities within and for the benefit of the Redevelopment Projects of the former Redevelopment Agency of the City of Brisbane and approving related actions

### **Background:**

The Marina was a long term development begun around 1979 with funding for BCDC permits and completed in 1984. The City of Brisbane became "trustee" of certain tide and submerged lands (State Granted Lands) September 14, 1982 and amended September 1983. The dredging, breakwater, docks, and buildings were funded with Redevelopment Project Area #1 tax increment.

In 1981 Tax Anticipation Notes were issued to fund the Marina Dredging. In 1982 Leasehold Mortgage Revenue Bonds were issued to Refund the Tax Anticipation Notes and to fund the Berth Construction.

In 1981 Bond Anticipation Notes were issued for the Breakwater Construction.

In 1984 the RDA issued Tax Allocation Bonds to refund the Leasehold Mortgage and the Bond Anticipation Notes.

In 2001 the RDA issued bonds to refund the 1984 Tax Allocation Bonds and the 1984 Lease/Leaseback Agreement. The Brisbane Public Financing Authority (BPFA) purchased these bonds and issued the 2001 Series A bonds to the general public using the RDA 1 payments as the

source funds to pay off its debt. The amount of the RDA bonds was \$15 million with a 12% interest rate. The Brisbane Financing Authority Bonds were for \$26,300,000 at an interest rate which varied from 4.00% to 6.20%.

In August of 2006 the City began the process to refinance both the RDA 1 bonds and the BPFA 2001 Series A bonds with a single bond. This refinancing would have saved the Redevelopment Agency \$1,200,000 over the life of the bonds. The Bank of the West bid on selling the bonds however, backed out of the deal due to the potential lawsuit from the School District. The City then asked Piper Jaffrey if they would like to refinance the deal in 2007. Piper Jaffrey declined due to the pending lawsuit from the Community College District. In 2010 the Community College District dropped their lawsuit. In 2011 the State eliminated Redevelopment Agencies. In 2013 the Successor Agency had its Due Diligence Review approved by the Oversight Board. This was the final hurdle for closing down the former RDA and turning over all of the remaining assets and liabilities to the Successor Agency.

In 1998, the Redevelopment Agency issued bonds for the development of the Brisbane Senior Homes Apartments. The bonds are a special obligation of the redevelopment agency and payable solely from the 20% set-aside that was required under redevelopment law. The bonds were issued in the amount of \$1,660,000 with interest rates between 4.25% and 5.70%.

Staff has been working with its Financial Advisor Johnson and Associates to determine the feasibility of refinancing the RDA or the BPFA and the 1998 Tax Allocation bonds in order to save the taxpayers' money.

### **Discussion:**

We first brought this item to council on February 4, 2013 for just the refunding of the 2001 bonds. At that time we were considering just refinancing the BPFA bonds and leaving the RDA bonds alone. However, further research suggests, because the former redevelopment agency is party to the BPFA bonds, any refinancing would need to go to the Department of Finance (DOF) for approval, therefore it would be simpler to refinance both the BPFA & the RDA bonds into a single issue.

While discussing the impact and ramifications of that refinancing with bond counsel and the financial advisor, the issue of the funding source for the 1998 Housing Bonds came up. Since these bonds are also paid for from the tax increment from the former redevelopment agency, it was recommended that we combine the bonds into a single refunding so that 100% of the tax increment can be used as the source for the new bonds. The 1998 Housing bonds are now callable and there is savings on that refunding too.

The savings the Successor Agency will achieve based on current anticipated rates would be about \$130,000 a year compared to the existing 2001 TABS and \$12,000 a year from the 1998 Housing Bonds. The anticipated interest rate on the bonds range from 1.2% to 4.55% with an average of 4.17%. Savings due to the refinancing of these two bond issues would accrue back to the underlying taxing entities. The Underwriter of the Bonds has run a sensitivity analysis on interest rates. If interest rates were to increase 97 basis points (0.97 percentage points) between now and the sale of the bonds (anticipated in October) there would still be savings of about \$30,000 from the 2001 TABS and 6,200 from the Housing Bond.

The introduction of the Housing Bond into the refinancing structure was a late addition and not all of the documents have been rewritten to include this, most notably the Preliminary Official Statement. Prior to the sale of the bonds staff will bring final documents for City Council to review.

The next step in the process of selling the bonds is to have the Oversight Board approve the deal. This is an item on their agenda for June 19<sup>th</sup>. After the Oversight Board approves it, the Department of

Finance will review it. They have 60 days to review it prior to approving or denying. Based on some past refinancing deals they have taken the full 60 days prior to commenting.

In order to even out the required payments, we are planning to pay principal as well as interest semi-annually. This smooths the amount requested on the ROPS and adds a small amount of additional savings.

**Fiscal Impact:**

Redevelopment Agency will save a minimum of \$145,000 by refinancing both the 2001 TABs and the 1998 Housing Bonds.

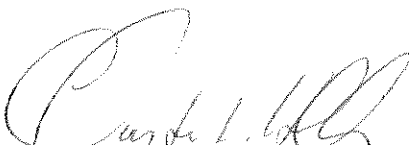
**Measure of Success**

Saving the community \$145,000 a year.

**Attachments:**

1. Resolution City 2013-27 Approving the Issuance and sale by the Successor Agency of the Redevelopment Agency of the City of Brisbane of Tax Allocation Bonds to refinance redevelopment and low and moderate income housing activities within and for the benefit of the redevelopment projects of the former Redevelopment Agency of the City of Brisbane.
2. Resolution BPFA 2013-02 Authorizing execution and delivery of an escrow agreement in connection with the issuance and sale by the Successor Agency of the Redevelopment Agency of the City of Brisbane of Tax Allocation Refunding Bonds to refinance redevelopment activities within and for the benefit of the redevelopment projects of the former Redevelopment Agency of the City of Brisbane and approving related actions.
3. Indenture;
4. Bond Purchase Agreement;
5. Escrow Agreement (1998 Bonds);
6. Escrow Agreement (2001 Bonds); and
7. Preliminary Official Statement.

  
Stuart Schillinger  
Administrative Services Director

  
Clay Holstine  
City Manager

**CITY OF BRISBANE**

**RESOLUTION NO. 2013-27**

**RESOLUTION APPROVING THE ISSUANCE AND SALE BY THE  
SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY  
OF BRISBANE OF TAX ALLOCATION BONDS TO REFINANCE  
REDEVELOPMENT AND LOW AND MODERATE INCOME HOUSING  
ACTIVITIES WITHIN AND FOR THE BENEFIT OF THE REDEVELOPMENT  
PROJECTS OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY  
OF BRISBANE**

RESOLVED, by the City Council (the "Council") of the City of Brisbane (the "City") as follows:

WHEREAS, the Redevelopment Agency of the City of Brisbane (the "Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the California Health and Safety Code (the "Law"), including the power to issue bonds for any of its corporate purposes;

WHEREAS, a redevelopment plan for the Brisbane Community Redevelopment Project Area Number One in the City of Brisbane, San Mateo County, California ("Redevelopment Project No. 1"), has been adopted in compliance with all requirements of the Law;

WHEREAS, a redevelopment plan for the Brisbane Community Redevelopment Project Area Number Two in the City of Brisbane, San Mateo County, California ("Redevelopment Project No. 2" and, with Redevelopment Project No. 1, the "Redevelopment Projects"), has been adopted in compliance with all requirements of the Law;

WHEREAS, the Agency has previously issued its Redevelopment Agency of the City of Brisbane, 1998 Tax Allocation Bonds (Housing Set-Aside Revenues—Tower Site Senior Housing), originally issued in the principal amount of \$1,660,000 to finance low and moderate income housing activities within and for the benefit of the Redevelopment Projects, of which \$1,115,000 principal amount remains outstanding (the "1998 Agency Bonds");

WHEREAS, the Agency has also previously issued its Redevelopment Agency of the City of Brisbane, Brisbane Community Redevelopment Project Area Number One, 2001 Tax Allocation Bonds, originally issued in the principal amount of \$15,000,000 to refinance redevelopment activities within and for the benefit of the Redevelopment Project, of which \$12,415,000 principal amount remains outstanding (the "2001 Agency Bonds");

WHEREAS, the Authority has previously issued its Brisbane Public Financing Authority 2001 Revenue Bonds (Brisbane Community Redevelopment Project Area Number One),

originally issued in the principal amount of \$26,300,000, the proceeds of which were used to purchase the 2001 Agency Bonds, of which \$17,985,000 principal amount remains outstanding (the "2001 Authority Bonds");

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26 (the "Dissolution Act") and ABx1 27 (the "Opt-in Bill");

WHEREAS, the California Supreme Court subsequently upheld the provisions of the Dissolution Act and invalidated the Opt-in Bill resulting in the Monrovia Redevelopment Agency being dissolved as of February 1, 2012;

WHEREAS, the powers, assets and obligations of the Agency were transferred on February 1, 2012 to the Successor Agency of the Redevelopment Agency of the City of Brisbane (the "Successor Agency");

WHEREAS, on or about June 27, 2012, the California Legislature adopted AB 1484 as a trailer bill in connection with the 2012-13 California Budget;

WHEREAS, AB 1484 specifically authorizes the issuance of refunding bonds by the Successor Agency;

WHEREAS, the Successor Agency has determined that, due to prevailing financial market conditions, it is in the best interests of the Successor Agency at this time to refinance redevelopment and low and moderate income housing activities within and for the benefit of the Redevelopment Projects and, in particular, to refund, on a current basis, the 1998 Agency Bonds, and the 2001 Agency Bonds (and, therefore, the 2001 Authority Bonds);

WHEREAS, to provide moneys to refund the 1998 Agency Bonds and the 2001 Agency Bonds (and, therefore, 2001 Authority Bonds), the Successor Agency has determined to issue its Successor Agency of the Redevelopment Agency of the City of Brisbane, 2013 Tax Allocation Refunding Bonds, in the aggregate principal amount of not to exceed \$22,500,000 (the "Bonds"), under the provisions of section 34177.5(g) of the Law and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code;

WHEREAS, the Successor Agency has determined that the total net interest cost to maturity of the Bonds plus the principal amount of the Bonds will not exceed (a) the total net interest cost to maturity of the 1998 Agency Bonds to be refunded plus the principal amount of the 1998 Agency to be refunded, and (b) the total net interest cost to maturity of the 2001 Agency Bonds to be refunded plus the principal amount of the 2001 Agency to be refunded; and

WHEREAS, the Council wishes at this time to approve the issuance and sale of the Bonds by the Successor Agency;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

Section 1. Approval of the Bonds. The issuance and sale of the Bonds by the Successor Agency to refinance redevelopment activities within and for the benefit of the Redevelopment Project is hereby approved.

Section 2. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

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Raymond C. Miller, Mayor

I, the undersigned City Clerk of the City of Brisbane, hereby certify that the foregoing is a full, true and correct copy of a resolution adopted by the City Council of the City of Brisbane at a meeting thereof on the 17th day of June, 2013, by the following vote of the members thereof:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Sheri Spediacci, City Clerk

**BRISBANE PUBLIC FINANCING AUTHORITY**

**RESOLUTION NO. BPFA 2013-02**

**RESOLUTION AUTHORIZING EXECUTION AND DELIVERY OF AN  
ESCROW AGREEMENT IN CONNECTION WITH THE ISSUANCE AND  
SALE BY THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY  
OF THE CITY OF BRISBANE OF TAX ALLOCATION REFUNDING BONDS  
TO REFINANCE REDEVELOPMENT ACTIVITIES WITHIN AND FOR THE  
BENEFIT OF THE REDEVELOPMENT PROJECTS OF THE FORMER  
REDEVELOPMENT AGENCY OF THE CITY OF BRISBANE AND  
APPROVING RELATED ACTIONS**

RESOLVED, by the Board of Directors (the "Board") of the Brisbane Public Financing Authority (the "Authority") as follows:

WHEREAS, the Redevelopment Agency of the City of Brisbane (the "Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the California Health and Safety Code (the "Law"), including the power to issue bonds for any of its corporate purposes;

WHEREAS, a redevelopment plan for the Brisbane Community Redevelopment Project Area Number One in the City of Brisbane, San Mateo County, California ("Redevelopment Project No. 1"), has been adopted in compliance with all requirements of the Law;

WHEREAS, a redevelopment plan for the Brisbane Community Redevelopment Project Area Number Two in the City of Brisbane, San Mateo County, California ("Redevelopment Project No. 2" and, with Redevelopment Project No. 1, the "Redevelopment Projects"), has been adopted in compliance with all requirements of the Law;

WHEREAS, the Agency has previously issued its Redevelopment Agency of the City of Brisbane, 1998 Tax Allocation Bonds (Housing Set-Aside Revenues—Tower Site Senior Housing), originally issued in the principal amount of \$1,660,000 to finance low and moderate income housing activities within and for the benefit of the Redevelopment Projects, of which \$1,115,000 principal amount remains outstanding (the "1998 Agency Bonds");

WHEREAS, the Agency has also previously issued its Redevelopment Agency of the City of Brisbane, Brisbane Community Redevelopment Project Area Number One, 2001 Tax Allocation Bonds, originally issued in the principal amount of \$15,000,000 to refinance redevelopment activities within and for the benefit of the Redevelopment Project, of which \$12,415,000 principal amount remains outstanding (the "2001 Agency Bonds");

WHEREAS, the Authority has previously issued its Brisbane Public Financing Authority 2001 Revenue Bonds (Brisbane Community Redevelopment Project Area Number One), originally issued in the principal amount of \$26,300,000, the proceeds of which were used to purchase the 2001 Agency Bonds, of which \$17,985,000 principal amount remains outstanding (the "2001 Authority Bonds");

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26 (the "Dissolution Act") and ABx1 27 (the "Opt-in Bill");

WHEREAS, the California Supreme Court subsequently upheld the provisions of the Dissolution Act and invalidated the Opt-in Bill resulting in the Monrovia Redevelopment Agency being dissolved as of February 1, 2012;

WHEREAS, the powers, assets and obligations of the Agency were transferred on February 1, 2012 to the Successor Agency of the Redevelopment Agency of the City of Brisbane (the "Successor Agency");

WHEREAS, on or about June 27, 2012, the California Legislature adopted AB 1484 as a trailer bill in connection with the 2012-13 California Budget;

WHEREAS, AB 1484 specifically authorizes the issuance of refunding bonds by the Successor Agency;

WHEREAS, the Successor Agency has determined that, due to prevailing financial market conditions, it is in the best interests of the Successor Agency at this time to refinance redevelopment and low and moderate income housing activities within and for the benefit of the Redevelopment Projects and, in particular, to refund, on a current basis, the 1998 Agency Bonds and the 2001 Agency Bonds (and, therefore, the 2001 Authority Bonds);

WHEREAS, to provide moneys to refund the 1998 Agency Bonds and the 2001 Authority Bonds (and therefore, the 2001 Agency Bonds), the Successor Agency has determined to issue its Successor Agency of the Redevelopment Agency of the City of Brisbane, 2013 Tax Allocation Refunding Bonds, in the aggregate principal amount of not to exceed \$22,500,000 (the "Bonds"), under the provisions of section 34177.5(g) of the Law and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code;

WHEREAS, the Successor Agency has determined that the total net interest cost to maturity of the Bonds plus the principal amount of the Bonds will not exceed (a) the total net interest cost to maturity of the 1998 Agency Bonds to be refunded plus the principal amount of the 1998 Agency to be refunded, and (b) the total net interest cost to maturity of the 2001 Agency Bonds to be refunded plus the principal amount of the 2001 Agency to be refunded; and

WHEREAS, the Authority has duly considered such transactions and wishes at this time to authorize the execution of an escrow agreement in connection therewith;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:



*Section 1. Approval of Escrow Agreement.* An escrow deposit and trust agreement, by and among the Authority, the Agency and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), relating to the refunding of the 2001 Authority Bonds (and therefore, the 2001 Agency Bonds) (the "Escrow Agreement"), in the form thereof on file with the Secretary, together with any additions thereto or changes therein deemed necessary or advisable by the Chairman, the Vice Chairman, the Executive Director or the Treasurer of the Authority (the "Designated Officers"), is hereby approved by the Authority. The Designated Officers are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest to, the final form of the Escrow Agreement for and in the name and on behalf of the Authority. The Authority hereby authorizes the delivery and performance of the Escrow Agreement.

*Section 2. Official Actions.* The Chairman, the Vice Chairman, the Executive Director, the Treasurer and the Secretary of the Authority, and any and all other officers of the Authority, are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds as described herein. Whenever in this resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

*Section 3. Effective Date.* This Resolution shall take effect from and after the date of its passage and adoption.

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Raymond C. Miller, Chairman

I, the undersigned Secretary of the Brisbane Public Financing Authority, hereby certify that the foregoing is a full, true and correct copy of a resolution adopted by the Board of Directors of the Authority at a meeting thereof on the 17th day of June, 2013, by the following vote of the members thereof:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Sheri Spediacci, Secretary