

SUCCESSOR AGENCY CITY OF BRISBANE

OVERSIGHT BOARD MEETING DATE: June 19, 2013

ITEM TITLE: Refunding 2001 Tax Allocation Bonds and 1998 Housing Bonds

RECOMMENDATION:

Approve the Resolution OB 2013-04 approving the issuance and sale of Tax Allocation Refunding Bonds of the Successor Agency of the Redevelopment Agency of the City of Brisbane 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 and actions.

FISCAL IMPLICATIONS:

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

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 BPPFA 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 BPPFA bonds and leaving the RDA bonds alone. However, further research suggests, because the former redevelopment agency is party to the BPPFA bonds, any refinancing would need to go to the Department of Finance (DOF) for approval, therefore it would be simpler to refinance both the BPPFA & 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 19th. 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.

Attachments:

1. Resolution SA 2013-04 Authorizing the issuance and sale 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 and approving related documents and actions

The following are attached to the City of Brisbane Agenda Report:

2. Indenture;
3. Bond Purchase Agreement;
4. Escrow Agreement (1998 Bonds);
5. Escrow Agreement (2001 Bonds); and
6. Preliminary Official Statement.



Stuart Schillinger, Administrative Services
Director

**OVERSIGHT BOARD OF THE
SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY OF BRISBANE**

RESOLUTION NO. OB 2013-04

**RESOLUTION APPROVING THE ISSUANCE AND SALE OF TAX
ALLOCATION REFUNDING BONDS TO OF THE SUCCESSOR AGENCY OF
THE REDEVELOPMENT AGENCY OF THE CITY OF BRISBANE 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 AND RELATED ACTIONS**

RESOLVED, by the Oversight Board of the Successor Agency of the Redevelopment Agency of the City of Brisbane (the "Board"), 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 Brisbane Public Financing Authority (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 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;

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; and

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;

WHEREAS, on June 17, 2013, the Successor Agency adopted a resolution authorizing the issuance of the Bonds (the "Successor Agency Resolution");

WHEREAS, under section 34180(b) of the Law, the Successor Agency's issuance of bonds is subject to the approval of the Board;

WHEREAS, a copy of the Successor Agency Resolution has been submitted to the

Administrative Officer and the Auditor-Controller of the San Mateo County and the California Department of Finance, as required by Section 34180(j) of the Law; and,

WHEREAS, the Board now desires to approve the issuance of the Bonds by the Successor Agency and the other actions of the Successor Agency contemplated by the Successor Agency Resolution;

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

Section 1. The Board approves the issuance of the Bonds by the Successor Agency for the purposes of refunding the 1998 Agency Bonds and the 2001 Agency Bonds (and, therefore, the 2001 Authority Bonds).

Section 2. The Board approves the other actions of the Successor Agency contemplated by the Successor Agency Resolution attached hereto as Exhibit A.

Paul Scannell, Chairman

I, the undersigned Secretary of the Oversight Board of the Successor Agency of the Redevelopment Agency of the City of Brisbane, hereby certify that the foregoing is a full, true and correct copy of a resolution adopted by the Oversight Board at a meeting thereof on the 19th day of June, 2013, by the following vote of the members thereof:

AYES:

NOES:

ABSTAIN:

ABSENT:

Sheri Spediacci, Secretary

EXHIBIT A
SUCCESSOR AGENCY RESOLUTION

[TO BE ATTACHED]

**SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY OF BRISBANE**

RESOLUTION NO. SA 2013-04

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF TAX
ALLOCATION REFUNDING 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 AND
APPROVING RELATED DOCUMENTS AND ACTIONS**

RESOLVED, by the Successor Agency of the Redevelopment Agency of the City of Brisbane (the "Successor Agency"), as successor to the former Redevelopment Agency of the City of Brisbane (the "Agency") as follows:

WHEREAS, 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 Redevelopment Project No. 1, of which \$12,415,000 principal amount remains outstanding (the "2001 Agency Bonds");

WHEREAS, the Brisbane Public Financing Authority (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 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;

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 (collectively, the "Refunding Bond Law");

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 Successor Agency has duly considered such transactions and wishes at this time to authorize proceedings for the issuance and sale of the Bonds;

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

Section 1. Authorization. The Successor Agency hereby authorizes the issuance of the Bonds to finance redevelopment activities within and for the benefit of the Redevelopment Project.

Section 2. Issuance of the Bonds; Approval of the Indenture. The Bonds shall be issued pursuant to the Refunding Bond Law and pursuant to an Indenture of Trust, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Indenture"). The Successor Agency hereby approves the Indenture in the form on file with the Secretary, together with such additions thereto and changes therein as the Chairman, the Vice Chairman, the Treasurer or the Executive Director (the "Designated Officers"), shall deem necessary, desirable or appropriate, and the execution thereof by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. 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 Indenture for and in the name and on behalf of the Successor Agency. The Successor Agency hereby authorizes the delivery and performance of the Indenture.

Section 3. Approval of Escrow Agreements.

(a) An escrow deposit and trust agreement, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), relating to the refunding of the 1998 Agency Bonds (the "1998 Escrow Agreement"), in the form thereof on file with the Secretary, together with any additions thereto or changes therein deemed necessary or advisable by a Designated Officer is hereby approved by the Successor Agency. 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 1998 Escrow Agreement for and in the name and on behalf of the Successor Agency. The Successor Agency hereby authorizes the delivery and performance of the 1998 Escrow Agreement.

(b) An escrow deposit and trust agreement, by and among the Authority, the Successor Agency and Escrow Bank, relating to the refunding of the 2001 Authority Bonds (and therefore, the 2001 Agency Bonds) (the "2001 Escrow Agreement"), in the form thereof on file with the Secretary, together with any additions thereto or changes therein deemed necessary or advisable by a Designated Officer is hereby approved by the Successor Agency. 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 2001 Escrow Agreement for and in the name and on behalf of the Successor Agency. The Successor Agency hereby authorizes the delivery and performance of the 2001 Escrow Agreement.

Section 4. Sale of the Bonds. The Successor Agency hereby authorizes the sale of the Bonds to Piper Jaffray & Co. (the "Underwriter"), so long as the Underwriter's discount, excluding original issue discount which does not constitute compensation to the Underwriter, does not exceed 1.5%. The Successor Agency hereby approves the bond purchase agreement, by and between the Underwriter and the Successor Agency, in the form on file with the Secretary (the "Bond Purchase Agreement"), together with such additions thereto and changes therein as a Designated Officer shall deem necessary, desirable or appropriate, and the execution thereof by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. 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 Bond Purchase Agreement for and in the name and on behalf of the Successor Agency.

Section 5. Official Statement. The Successor Agency hereby approves and deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 except for permitted omissions, a preliminary form of Official Statement describing the Bonds in the form on file with the Secretary. Distribution of such preliminary Official Statement by the Underwriter to prospective purchasers of the Bonds is hereby approved. The Designated Officers are hereby authorized to execute the final form of the Official Statement, including as it may be modified by such additions thereto and changes therein as a Designated Officer shall deem necessary, desirable or appropriate, and the execution of the final Official Statement by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Successor Agency hereby authorizes the distribution of the final Official Statement by the Underwriter. The final Official Statement shall be executed in the name and on behalf of the Successor Agency by a Designated Officer.

Section 6. Official Actions. The Chairman, the Vice Chairman, the Executive Director, the Treasurer and the Secretary of the Successor Agency, and any and all other officers of the Successor Agency, are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, 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 Successor Agency 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 7. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

Raymond C. Miller, Chairman

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

AYES:

NOES:

ABSTAIN:

ABSENT:

Sheri Spediacci, Secretary