

REPORT TO CITY COUNCIL

DATE: APRIL 23, 2008

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER

BY: NATHAN HAMBURGER, ASSISTANT CITY MANAGER

SUBJECT: PROPOSED ISSUANCE BY THE AGOURA HILLS REDEVELOPMENT AGENCY OF ITS SERIES 2008 TAX ALLOCATION BONDS AND SERIES 2008 HOUSING SET-ASIDE BONDS

At the direction of the City Council, staff has reviewed the bonding capacity of the Redevelopment Agency and the Housing Set-Aside funds. Due to the increased assessed value of the Project Area, the potential to bond for improvements has increased. Neither the Redevelopment Agency nor the Agency's Housing Set-Aside Fund has been bonded in the past, but based on a review by staff and the City's financial advisor, the Project Area is now in a strong position to issue debt due to the growth in tax increment, low interest rates, and the necessity to establish legitimate debt as an underlying component of a Redevelopment Agency. As a general note, debt issuance through the Agency is consistent with the intent of a redevelopment agency in that it allows the agency to utilize debt financing to improve and enhance blighted or underutilized areas which, in turn, helps create tax increment that provides payment for the debt obligation.

The Bonds consist of two series: 1) the "Series 2008 Tax Allocation Bonds", in an aggregate principal amount not to exceed \$7.5 million, and 2) the "Series 2008 Housing Set-Aside Bonds", in an aggregate principal amount not to exceed \$11.0 million. The Series 2008 Tax Allocation Bonds will be issued as taxable bonds. Repayment of the Series 2008 Tax Allocation Bonds will be secured by tax increment revenues generated in the Project Area, and repayment of the Series 2008 Housing Set-Aside Bonds will be secured by the housing set-aside portion (e.g, the 20% set-aside) of tax increment generated in the Project Area. It is projected that the debt coverage ratio for the non-housing bonds will be over 180% and 135% for the housing bonds.

On March 28, 2008, staff, along with the guidance of the City's financial advisor, issued a Request for Proposals from qualified underwriters for the proposed bonds. The City received five (5) proposals which have been reviewed in depth. Although staff is very confident that the City will receive bond insurance coverage, specifically for the non-housing bonds, it is recommended that the City wait until a formal notification is given prior to selecting the underwriter. Staff will continue to complete its due diligence to insure the highest net proceeds for the City/Agency based on whether or not insurance coverage is approved. In addition, staff is

expecting to have the final bond ratings within the next two weeks and will present all information to the Economic Development Committee for a final review.

Should the City Council approve the proposed resolutions presented, it is anticipated that the bond sales would occur in May, with the proceeds received in June 2008. The proposed final bond term is 35 years, or 2041, with the first payment estimated to occur in November 2008.

Adoption of the attached resolutions will allow Staff to proceed with (i) the issuance of bonds by the Agoura Hills Redevelopment Agency and (ii) the use of proceeds of the bonds to finance the purchase of land for redevelopment projects in the Agoura Hills Redevelopment Project Area (the "Project Area") and the purchase of land or projects consistent with the approved Affordable Housing Implementation Strategy. The following resolutions are presented for the City Council's review and approval:

Resolution No. 08-1474 approves the issuance of the Series 2008 Tax Allocation Bonds.

Resolution No. 08-1475 approves the issuance of the Series 2008 Housing Set-Aside Bonds.

Resolution No. 08-1476 approves the execution and delivery of an agreement to make certain payments from the Agency to the City subordinate to the Bonds.

Summary Of Subordination Agreement

The Subordination Agreement is an agreement to make certain payments from the Agency to the City subordinate to the Bonds. Pursuant to an Advance and Reimbursement Agreement, dated as of September 22, 1993, between the City and the Agency, the City advanced the costs of the installation and construction of certain public improvements, including necessary rights-of-way, and the Agency agreed to reimburse the City for such advances. Similarly, pursuant to Agency Resolution No. 2, the agency agreed to reimburse the City for advances from the City to the Agency for the Agency's overhead and administrative expenses. By executing the Subordination Agreement, the City and the Agency agree to subordinate these reimbursement payments to the Bonds.

RECOMMENDATION

Staff respectfully recommends the City Council adopt the following Resolutions in connection with the Bonds:

Resolution No. 08-1474; A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AGOURA HILLS, CALIFORNIA, APPROVING THE ISSUANCE, SALE AND DELIVERY BY THE AGOURA HILLS REDEVELOPMENT AGENCY OF ITS TAX ALLOCATION BONDS (AGOURA HILLS REDEVELOPMENT AGENCY); and

Resolution No. 08-1475; A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AGOURA HILLS, CALIFORNIA, APPROVING THE ISSUANCE, SALE AND DELIVERY

BY THE AGOURA HILLS REDEVELOPMENT AGENCY OF ITS HOUSING SET-ASIDE TAX ALLOCATION BONDS (AGOURA HILLS REDEVELOPMENT PROJECT AREA); and

Resolution No. 08-1476; A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AGOURA HILLS, CALIFORNIA, APPROVING THE EXECUTION AND DELIVERY OF AN AGREEMENT TO MAKE PAYMENTS PURSUANT TO AN ADVANCE AND REIMBURSEMENT AGREEMENT AND PURSUANT TO AGOURA HILLS REDEVELOPMENT AGENCY RESOLUTION NO. 2 SUBORDINATE TO THE AGOURA HILLS REDEVELOPMENT AGENCY'S SERIES 2008 BONDS

Attachments: Resolution Nos. 08-1474, 08-1475, and 08-1476 (with Subordination Agreement)

RESOLUTION NO. 08-1474

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AGOURA HILLS, CALIFORNIA, APPROVING THE ISSUANCE, SALE AND DELIVERY BY THE AGOURA HILLS REDEVELOPMENT AGENCY OF ITS TAX ALLOCATION BONDS (AGOURA HILLS REDEVELOPMENT PROJECT AREA)

WHEREAS, the Agoura Hills Redevelopment Agency (the “Agency”) is a redevelopment agency authorized pursuant to the Community Redevelopment Law of the State of California, being Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the “Law”) to incur indebtedness for the purpose of financing certain redevelopment activities for the benefit of its redevelopment project areas; and

WHEREAS, pursuant to the Law, the City Council of the City of Agoura Hills (the “City”) approved and adopted a redevelopment plan (the “Redevelopment Plan”) for a redevelopment project designated as the Agoura Hills Redevelopment Project Area (the “Project Area”); and

WHEREAS, the Redevelopment Plan contemplates that the Agency would issue bonds to finance the cost of redevelopment within the Project Area; and

WHEREAS, the Agency desires to issue its Tax Allocation Bonds (Agoura Hills Redevelopment Project Area), Series 2008 (Taxable) (the “Bonds”), for the purpose of financing the costs of redevelopment within the Project Area; and

WHEREAS, Section 33640 of the Law requires the Agency to obtain the approval of the City Council before the issuance of the Bonds; and

WHEREAS, the City Council, with the aid of its staff, has reviewed the documentation relating to the issuance of the Bonds and desires to approve the issuance, sale and delivery of the Bonds by the Agency;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF AGOURA HILLS HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:

Section 1. Recitals. The above recitals, and each of them, are true and correct.

Section 2. Approval of Financing. The issuance, sale and delivery of the Bonds by the Agency are hereby approved.

Section 3. Other Acts. Each officer of the City, is hereby authorized and directed, jointly and severally, to execute and deliver such documents and instruments and to do such things which may be necessary or proper for assisting the Agency in connection with the issuance, sale and delivery of the Bonds and to effectuate the purposes of this Resolution, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 4. Effective Date. This Resolution shall take effect immediately upon adoption.

PASSED, APPROVED, AND ADOPTED, by the City Council of the City of Agoura Hills at a meeting held on April, 23, 2008, by the following vote to wit:

AYES: (0)
NOES: (0)
ABSTAIN: (0)
ABSENT: (0)

John M. Edelston, Mayor

ATTEST:

Kimberly M. Rodrigues, City Clerk

RESOLUTION NO. 08-1475

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AGOURA HILLS, CALIFORNIA, APPROVING THE ISSUANCE, SALE AND DELIVERY BY THE AGOURA HILLS REDEVELOPMENT AGENCY OF ITS HOUSING SET-ASIDE TAX ALLOCATION BONDS (AGOURA HILLS REDEVELOPMENT PROJECT AREA)

WHEREAS, the Agoura Hills Redevelopment Agency (the “Agency”) is a redevelopment agency authorized pursuant to the Community Redevelopment Law of the State of California, being Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the “Law”) to incur indebtedness for the purpose of financing certain redevelopment activities for the benefit of its redevelopment project areas; and

WHEREAS, pursuant to the Law, the City Council of the City of Agoura Hills (the “City”) approved and adopted a redevelopment plan (the “Redevelopment Plan”) for a redevelopment project designated as the Agoura Hills Redevelopment Project Area (the “Project Area”); and

WHEREAS, the Redevelopment Plan contemplates that the Agency would issue bonds to finance the cost of redevelopment within the Project Area; and

WHEREAS, the Agency desires to issue its Housing Set-Aside Tax Allocation Bonds (Agoura Hills Redevelopment Project Area), Series 2008 (the “Bonds”), for the purpose of financing the costs of redevelopment within the Project Area; and

WHEREAS, Section 33640 of the Law requires the Agency to obtain the approval of the City Council before the issuance of the Bonds; and

WHEREAS, the City Council, with the aid of its staff, has reviewed the documentation relating to the issuance of the Bonds and desires to approve the issuance, sale and delivery of the Bonds by the Agency;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF AGOURA HILLS HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:

Section 1. Recitals. The above recitals, and each of them, are true and correct.

Section 2. Approval of Financing. The issuance, sale and delivery of the Bonds by the Agency are hereby approved.

Section 3. Other Acts. Each officer of the City, is hereby authorized and directed, jointly and severally, to execute and deliver such documents and instruments and to do such things which may be necessary or proper for assisting the Agency in connection with the issuance, sale and delivery of the Bonds and to effectuate the purposes of this Resolution, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 4. Effective Date. This Resolution shall take effect immediately upon adoption.

PASSED, APPROVED, AND ADOPTED, by the City Council of the City of Agoura Hills at a meeting held on April, 23, 2008, by the following vote to wit:

AYES: (0)
NOES: (0)
ABSTAIN: (0)
ABSENT: (0)

John M. Edelston, Mayor

ATTEST:

Kimberly M. Rodrigues, City Clerk

RESOLUTION NO. 08-1476

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AGOURA HILLS, CALIFORNIA, APPROVING THE EXECUTION AND DELIVERY OF AN AGREEMENT TO MAKE PAYMENTS PURSUANT TO AN ADVANCE AND REIMBURSEMENT AGREEMENT AND PURSUANT TO AGOURA HILLS REDEVELOPMENT AGENCY RESOLUTION NO. 2 SUBORDINATE TO THE AGOURA HILLS REDEVELOPMENT AGENCY'S SERIES 2008 BONDS

WHEREAS, the Agoura Hills Redevelopment Agency (the "Agency") is a redevelopment agency authorized pursuant to the Community Redevelopment Law of the State of California, being Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the "Law") to incur indebtedness for the purpose of financing certain redevelopment activities for the benefit of its redevelopment project areas; and

WHEREAS, the Agency desires to issue its Housing Set-Aside Tax Allocation Bonds (Agoura Hills Redevelopment Project Area), Series 2008 and its Tax Allocation Bonds (Agoura Hills Redevelopment Project Area) Series 2008 (Taxable) (collectively, the "Series 2008 Bonds") for the purpose of financing the costs of redevelopment within the Project Area; and

WHEREAS, pursuant to Health and Safety Code Section 33445, the Agency and the City entered into an Advance and Reimbursement Agreement, dated as of September 22, 1993 (the "Advance and Reimbursement Agreement"), pursuant to which the City advanced the costs of the installation and construction of certain public improvements, including the necessary rights-of-way, and the Agency agreed to reimburse the City for such advances; and

WHEREAS, pursuant to Agency Resolution No. 2, the Agency has agreed to reimburse the City for advances from the City to the Agency for the Agency's overhead and administrative expenses; and

WHEREAS, the Agency and City desire to enter into a Subordination Agreement (the "Subordination Agreement") to provide that the Agency's obligation to repay the City for the advances described in the previous two recitals shall be subordinate to the Agency's obligation to pay debt service on the Series 2008 Bonds.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF AGOURA HILLS HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:

Section 1. Recitals. The above recitals, and each of them, are true and correct.

Section 2. Subordination Agreement. The Subordination Agreement in the form presented and on file with the City Clerk is hereby approved. The Mayor, or in the Mayor's absence, the Mayor Pro Tempore, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Subordination Agreement in substantially said form, with such changes therein as the Mayor, or in the Mayor's absence, the Mayor Pro Tempore, may approve (such approval to be conclusively evidenced by such execution and delivery thereof).

Section 3. Other Acts. Each officer of the City, is hereby authorized and directed, jointly and severally, to execute and deliver such documents and instruments and to do such things which may be necessary or proper to effectuate the purposes of this Resolution, and any such actions previously taken by such officers are hereby ratified and confirmed.

Section 4. Effective Date. This Resolution shall take effect immediately upon adoption.

PASSED, APPROVED, AND ADOPTED, by the City Council of the City of Agoura Hills at a meeting held on April 23, 2008, by the following vote to wit:

AYES: (0)
NOES: (0)
ABSTAIN: (0)
ABSENT: (0)

John M. Edelston, Mayor

ATTEST:

Kimberly M. Rodrigues, City Clerk

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this "Agreement") is entered into as of _____, 2008 by and between the AGOURA HILLS REDEVELOPMENT AGENCY, a public body, corporate and politic (the "Agency") and the CITY OF AGOURA HILLS, a municipal corporation (the "City").

RECITALS:

A. The Agency is undertaking a program for the redevelopment of the Agoura Hills Redevelopment Project Area (the "Project Area") pursuant to the Community Redevelopment Law (California Health and Safety Code Section 33000, et seq.). In that regard, the Agency is proposing to issue its Housing Set-Aside Tax Allocation Bonds (Agoura Hills Redevelopment Project Area), Series 2008 and its Tax Allocation Bonds (Agoura Hills Redevelopment Project Area) Series 2008 (Taxable) (collectively, the "2008 Bonds") for the purpose of financing the costs of redevelopment within the Project Area.

B. Pursuant to Health and Safety Code Section 33445, the Agency and the City entered into an Advance and Reimbursement Agreement, dated as of September 22, 1993 (the "Advance and Reimbursement Agreement"), pursuant to which the City advanced the costs of the installation and construction of certain public improvements, including the necessary rights-of-way, and the Agency agreed to reimburse the City for such advances.

C. The City advances to the Agency the Agency's overhead and administrative expenses and pursuant to Agency Resolution No. 2, the Agency has agreed to reimburse the City for such advances.

D. The Agency and City desire to enter into this Subordination Agreement to provide that the Agency's obligation to repay the City for the advances described in Paragraphs B and C shall be subordinate to the Agency's obligation to pay debt service on the proposed 2008 Bonds.

NOW, THEREFORE, THE PARTIES DO HEREBY AGREE AS FOLLOWS:

Section 1. The obligation of the Agency to repay its indebtedness to the City, including interest, incurred pursuant to the Advance and Reimbursement Agreement and Agency Resolution No. 2 shall be subordinate to the Agency's pledge of tax increment revenues derived from the Project Area to repay any bonds of the Agency payable from such tax increment revenues, including the Proposed 2008 Bonds.

AGOURA HILLS REDEVELOPMENT
AGENCY

By _____
Denis Weber, Chair

ATTEST:

Kimberly M. Rodrigues, Secretary

CITY OF AGOURA HILLS

By _____
John M. Edelston, Mayor

ATTEST:

Kimberly M. Rodrigues, City Clerk