City of Culver City, California

Agenda Item Report

Meeting Date: 11/01/10	Item Number: J-3
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Discuss and Provide Direction to the City Manager/Executive Director Regarding Issuance of a Proposed Tax Allocation Bond.	
Contact Person/Dept.: Glenn Heald/CDD Todd Tipton/CDD Nick Kimball/Finance	Phone Number: (310) 253-5752 (310) 253-5783 (310) 253-6013
Fiscal Impact: Yes [X] No []	General Fund: Yes [] No [X]
Public Hearing: [] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: ________________
Public Notification: (E-Mail) Meetings and Agendas – City Council (10/27/10), Meetings and Agendas - Redevelopment Agency (10/27/10).	
Department Approval: Sol Blumenfeld (10/25/10) Jeff Muir (10/27/10)	City Attorney Approval: Carol Schwab (by H. Baker) (10/27/10) Agency General Counsel Approval: Murray Kane (10/21/10)
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (10/27/10)	City Manager/Executive Director Approval: John M. Nachbar (10/27/10)

RECOMMENDATION:

Staff recommends the City Council and Redevelopment Agency Board (Agency Board) discuss and provide direction regarding the proposal to issue a tax allocation bond.

BACKGROUND:

Over the years, the Agency has issued tax allocation bonds to finance various redevelopment activities. California Redevelopment Law allows redevelopment agencies to pledge property tax increment to repay bonded indebtedness. Proceeds from the bond issuance are used to further redevelopment activities.

The deadline for issuing debt for Component Areas 1 and 2 occurs in 2014. After this date the Agency can generally no longer pledge tax increment from those Component Areas to repay new debt. After 2014, tax increment will only be received from those areas to repay tax increment debt that existed on or before the expiration date. The Agency will generally no longer receive tax increment from the expired component areas after the deadline has expired to receive tax increment in 2024.

DISCUSSION:

Due to the debt issuance expiration dates, decelerating growth of tax increment receipts and competitive interest rates, the Agency has the opportunity to maximize its bonding capacity by issuing tax allocation bonds and receiving new bond proceeds. The new bond proceeds may be used to pursue a number of potential development opportunities, including those identified in a Cooperation Agreement with the City (see Table 1 below).

Additionally, there is the potential to refund the 1999 tax-exempt bonds with taxable bonds to eliminate the tax-exempt restrictions. Although there is a cost to doing this (approximately $150,000 per year, for a total cost of $1.5 million, in present value terms), it will give the Agency spending flexibility as the constraints associated with a tax-exempt bond issue will not apply[1].

In anticipation of a potential bond issuance, Fieldman, Rolapp and Associates prepared a bond capacity analysis with various scenarios (Attachment 1), which are based on potential projects that could be funded with bond proceeds. The capacity analysis shows (assuming current rates) that the total amount of bond proceeds would be approximately $50 - $55 million, depending on the desired ratio of taxable to tax exempt proceeds. The Agency's debt service cost would increase by approximately $7.5 million per year to a total annual debt service cost of $21.5 million. The actual amounts will depend on interest rates at the time of bond issuance.

Next Steps

If directed by the City Council and Agency Board to pursue a bond issuance, it will be necessary to secure a team of professional bond consultants and a bond underwriter to undertake the effort. Finance Department and Community Development Department staff will likely utilize those firms[2] who participated in prior Agency bond issuances as they are all specialized professional bond service firms and are highly regarded in their respective fields. Contracts for the consultants and underwriters will be presented to the Agency Board for consideration prior to work being initiated.

FISCAL ANALYSIS:

The current estimated bond capacity is approximately $50 – $55 million, dependent on the mix of tax exempt versus taxable proceeds. Proceeds from this bond issue would be used to fund some of the projects identified in this report.

If directed to move forward, the full costs of issuance of the 2010 Bonds, including the cost of the services of the Bond Team, will be paid out of the proceeds of the sale of the 2010 Bonds.

ATTACHMENT:

1. Bond Capacity Analysis prepared by Fieldman Rolapp and Associates.

MOTION:

That the City Council and Agency Board:

Direct the City Manager/Executive Director to pursue a tax allocation bond issuance.

Notes:

[1] Tax-exempt bonds may be used primarily for infrastructure type projects for which no revenues will be received in return. Tax-exempt bonds typically must be spent within five years of receipt of the proceeds. Taxable bonds offer much more flexibility as they may be used for any legal purpose, including for projects that generate revenue, and there is no specific deadline for expending the funds. Staff has identified several appropriate uses and their estimated costs, as denoted in Table 1 below.

Table 1. Potential Bond Proceed Uses and Estimated Costs

Potential Use/Project		Amount*	Taxable/Exempt
Potential Redevelopment Projects			
Refinance remaining 1999 bonds		TBD	Taxable
Downtown parking structure	$	13,600,000	Taxable
Parcel B subterranean parking (one level)	$	3,400,000	Taxable
Parcel B subterranean parking (second level)	$	4,000,000	Taxable
Town Plaza subterranean parking	$	5,000,000	Taxable
Washington-Centinela parking structure	$	9,866,000	Taxable
Washington-National offsite costs	$	400,000	Tax-exempt
Washington-National misc. develop. costs	$	10,000,000	Tax-exempt
AIP #4	$	500,000	Tax-exempt
Future AIPs	$	15,000,000	Tax-exempt

Current Cooperation Agreement Items			
Park improvements	$	500,000	Tax-exempt
Public Works laydown facility	$	5,400,000	Tax-exempt
Overland Ave bridge replacement	$	2,000,000	Tax-exempt
East Washington medians	$	1,560,000	Tax-exempt
Public facilities improvements	$	2,600,000	Tax-exempt
Street light replacements	$	8,740,000	Tax-exempt
Washington Blvd repaving	$	7,800,000	Tax-exempt
Transfer Plant expansion	$	3,120,000	Tax-exempt
Police Dept HQ facility (new)	$	31,200,000	Tax-exempt
Fire Training Yard (new)	$	2,700,000	Tax-exempt
Total Estimated Amount Taxable Items	**$**	**35,866,000**	
Total Estimated Amount Tax-exempt	**$**	**91,520,000**	
Total Estimated Amount All Items	**$**	**127,386,000**	

* Note: all figures are staff estimates only

NOTE: The projects identified in the above table have been identified by staff and are in no particular priority order. The Agency Board will make the final determination regarding which projects will be funded and which will not.

[2] Staff will likely seek the assistance of Fieldman Rolapp & Associates (Fiscal Advisor); Keyser Marston Associates (Financial Consultant); Richards Watson and Gershon (Agency Bond Counsel); Kane, Ballmer & Berkman (Agency General Counsel); and Stone & Youngberg (Bond Underwriter).