

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 4, 2014

CAO File No. 0670-00040-0001

Council File No.

Council District: 7

To: The Mayor
The City Council

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Infrastructure Financing for Community Facilities District No. 8

Subject: **REQUEST FOR ASSIGNMENT OF COMMUNITY FACILITIES DISTRICT NO. 8**

SUMMARY

Community Facilities District No. 8 (CFD 8) was formed in 2007 and authorized to issue up to \$10 million in bonds to finance certain public facilities including: fire station, park, equestrian, street, bridge, aqueduct, sewer, and storm drain facilities. In November 2010, special tax bonds in the amount of \$6 million were issued and are secured and repaid through the annual levy and collection of special taxes from all property subject to the tax within CFD 8.

This Office, as the CFD Administrator, is in receipt of correspondence from the new project owner, Cascades Project Owner, LLC, (CPO) requesting assignment of the Infrastructure Funding Agreement from the previous project owner, Cascades Park Properties, LLC and acknowledgement of CPO as the successor-in-interest to the rights of the Cascades Park with respect to CFD 8. This Office recommends approval of the request and authorization to execute the attached Assignment Agreement on behalf of CFD 8.

Background

The original project was the development of a master-planned, multi-phased residential and business community in an undeveloped area of Sylmar adjacent to the intersection of the Golden State and Foothill Freeways. In 1995, the first phase of the project was approved with the formation of Community Facilities District No. 3 (CFD 3) originally known as Silver Oaks LLC and Cascades Golf Course (C.F. 95-1655). It included the development of a business park encompassing 950,000 square feet of floor space and an 18-hole golf course.

In 2005, CFD 7 was formed to encompass the second phase of the development, including 715 housing units, the reconfiguration of the golf course and additional recreational space on approximately 118 acres. In 2007, it was determined that the development needed to be reconfigured to adjust to the declining housing market and other development delays. The boundaries were redrawn to encompass a smaller area consisting of 287 housing units. The

Mayor and Council approved the dissolution of CFD 7 and the adoption of CFD 8 (C.F. 05-0266). The scope of CFD 8 was further reduced due to continuing declines in the housing market and now consists of 176 homes. The 2010 bond issuance was sized to reflect the tax base of 176 homes.

To our knowledge, there are currently no plans to add additional new homes to CFD 8. However, there may be plans for future development under a new CFD.

Assignment Request

CPO has acquired the entire interest of all real property located within CFD 8 from the previous project owner, Cascades Park Properties, LLC, including interest in and to various associated collateral rights and interests. CPO requests assignment of the Infrastructure Funding Agreement and acknowledgement of CPO as the successor-in-interest to the rights of the project associated with CFD 8.

CPO is a joint venture between Woodridge Capital Partners, LLC and the Real Estate Group of Oaktree Capital Management, LP. Woodridge is a Los Angeles-based real estate development and investment company. Through its affiliates, Woodridge reports that it owns and develops hotel, resort, residential and commercial real estate projects throughout the United States. Oaktree Capital Management is a global investment manager headquartered in Los Angeles. The Real Estate Group of Oaktree Capital reports that it manages over \$4 billion in assets.

Attached please find the final draft of the Assignment Agreement, pursuant to which Cascade Park Properties, LLC assigns its rights under the Infrastructure Funding Agreement to Cascades Project Owner, LLC.

The recommendations included in this report are consistent with the City's Financial Policies.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. AUTHORIZE the City Administrative Officer to execute the attached Assignment Agreement on behalf of Community Facilities District No. 8;
2. ACKNOWLEDGE Cascades Project Owner, LLC as the successor-in-interest to the rights of Cascades Park Properties, LLC with respect to Community Facilities District No. 8; and
3. AUTHORIZE the City Administrative Officer to make technical adjustments as necessary to implement the intent of the Mayor and Council actions.

FISCAL IMPACT STATEMENT

There is no impact on the General Fund as a result of the recommendations contained in this report. All costs associated with this project will be paid from developer fees and/or bond proceeds, and in no event shall the General Fund be called upon for repayment of any principal or interest on these bonds.

DEBT IMPACT STATEMENT

There is no debt impact as a result of the recommendations contained in this report.

MAS:SMB:09130209

Attachment:

Attachment A - Assignment Agreement

ATTACHMENT A

ASSIGNMENT AGREEMENT

ASSIGNMENT AGREEMENT

by and between

CASCADES PARK PROPERTIES, LLC

and

CASCADES PROJECT OWNER, LLC

Dated as of April 1, 2014

**City of Los Angeles
Community Facilities District No. 8
(Legends at Cascades)
Special Tax Bonds**

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (this “Assignment Agreement”), dated as of April 1, 2014, is by and between CASCADES PARK PROPERTIES, LLC (“Cascades Park”), a limited liability company organized and existing under the laws of the State of California, and CASCADES PROJECT OWNER, LLC (“Cascades Project”), a limited liability company organized and existing under the laws of the State of Delaware.

WITNESSETH:

WHEREAS, the Council (the “City Council”) of the City of Los Angeles (the “City”) has, pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (the “Act”), established City of Los Angeles Community Facilities District No. 8 (Legends at Cascades) (the “Community Facilities District”);

WHEREAS, pursuant to the Act, the proceedings of the City Council and an election held within the Community Facilities District, the Community Facilities District is authorized to issue special tax bonds secured by special taxes (the “Special Taxes”) levied within the Community Facilities District to finance certain facilities;

WHEREAS, pursuant to the Indenture, dated as of November 1, 2010, by and between the Community Facilities District and U.S. Bank National Association, as trustee (the “Trustee”), the Community Facilities District issued its City of Los Angeles Community Facilities District No. 8 (Legends at Cascades), Special Tax Bonds, Series 2010 (the “Series 2010 Bonds”), secured by the Special Taxes;

WHEREAS, at the time of issuance of the Series 2010 Bonds, Cascades Park was the owner of the undeveloped property within the boundaries of the Community Facilities District;

WHEREAS, in connection with the issuance of the Series 2010 Bonds, the Community Facilities District, the City and Cascades Park entered into the Infrastructure Funding Agreement, dated as of November 1, 2010 (the “Funding Agreement”) (capitalized undefined terms used herein have the meanings ascribed thereto in the Funding Agreement);

WHEREAS, the Funding Agreement provides that the Community Facilities District will, upon satisfaction of the conditions and in accordance with the terms set forth therein, purchase the Facilities, the City or its designee will take title thereto and Cascades Park will be paid or repaid or reimbursed from the proceeds of the Bonds and the Special Taxes for the costs of acquisition, construction and improvement of the Facilities at the prices as determined as set forth therein;

WHEREAS, Cascades Project has purchased the undeveloped property within the boundaries of the Community Facilities District from Cascades Park;

WHEREAS, Cascades Park and Cascades Project desire that, as of April 1, 2014 (the “Effective Date”) all right, title and interest of Cascades Park in and to the Funding Agreement be assigned to Cascades Project;

WHEREAS, the Funding Agreement provides that neither the Funding Agreement nor the duties and obligations of Cascades Park thereunder may be assigned to any Person other than an Affiliate of Cascades Park without the written consent of the Community Facilities District and the City, which consent may not be unreasonable withheld or delayed;

WHEREAS, subject to the provisions of this Assignment Agreement, the Community Facilities District and the City are willing to so consent; and

WHEREAS, Cascades Park and Cascades Project desire to set forth the terms of said assignment;

NOW, THEREFORE, for and in consideration of the mutual premises and covenants contained herein, the parties hereto agree as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES

Section 1.1. Representations and Warranties of Cascades Project. Cascades Project makes the following representations and warranties:

(a) *Organization.* Cascades Project represents and warrants that Cascades Project is a limited liability company duly organized and validly existing under the laws of the State of Delaware, is qualified to do business and is in good standing under the laws of the State, and has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated.

(b) *Authority.* Cascades Project represents and warrants that Cascades Project has the power and authority to enter into this Assignment Agreement, and has taken all action necessary to cause this Assignment Agreement to be executed and delivered, and this Assignment Agreement has been duly and validly executed and delivered on behalf of Cascades Project.

(c) *Binding Obligation.* Cascades Project represents and warrants that this Assignment Agreement is a valid and binding obligation of Cascades Project and is enforceable against Cascades Project in accordance with its terms, subject to bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles.

(d) *Environmental Matters Relating to Property.* Cascades Project represents and warrants that neither Cascades Project, nor any subcontractor, agent or employee thereof, nor, to the best knowledge of Cascades Project, any prior tenant, occupant or owner of the Property, or any structure, fixtures, equipment, or other objects thereon, has used, generated, manufactured, procured, stored, released, discharged or disposed of (whether accidentally or intentionally) at any time on or prior to the Effective Date any Hazardous Material on, under or in the Property, or any structure, fixtures, equipment, or other objects thereon, or transported (whether accidentally or intentionally) any Hazardous Material to or from the Property, or any structure, fixtures, equipment, or

other objects thereon, in violation of any federal, state or local law, ordinance, regulation, rule or decision regulating Hazardous Material.

Cascades Project represents and warrants that Cascades Project has not received notice of, and to the best of Cascades Project's knowledge there is not, any proceeding or formal inquiry by any governmental authority, body or agency with respect to the presence of Hazardous Materials on, under or in the Property, or any structure, fixtures, equipment, or other objects thereon, or the migration thereof from or to other property.

(e) *Funding Agreement Representations and Warranties.* Cascades Project makes, as, for and by itself, as of the Effective Date, each of the representations and warranties set forth in Section 4.1 of the Funding Agreement, except for the representations and warranties contained in paragraphs (d) and (e) thereof.

Section 1.2. Representations and Warranties of Cascades Park. Cascades Park makes the following representations and warranties for the benefit of the Community Facilities District and the City:

(a) *Organization.* Cascades Park represents and warrants that Cascades Park is a limited liability company duly organized and validly existing under the laws of the State, is in good standing under the laws of the State, and has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated.

(b) *Authority.* Cascades Park represents and warrants that Cascades Park has the power and authority to enter into this Assignment Agreement, and has taken all action necessary to cause this Assignment Agreement to be executed and delivered, and this Assignment Agreement has been duly and validly executed and delivered on behalf of Cascades Park.

(c) *Binding Obligation.* Cascades Park represents and warrants that this Assignment Agreement is a valid and binding obligation of Cascades Park and is enforceable against Cascades Park in accordance with its terms, subject to bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles.

(d) *Funding Agreement Representations and Warranties.* Cascades Park makes, as, for and by itself, as of the Effective Date, each of the representations and warranties set forth in Section 4.1 of the Funding Agreement, except for the representations and warranties contained in paragraphs (d) and (e) thereof.

ARTICLE II

ASSIGNMENT AND ASSUMPTION

Section 2.1. Assignment. (a) Cascades Park, for good and valuable consideration, the receipt of which is hereby acknowledged, does hereby sell, assign and transfer to Cascades

Project, irrevocably and absolutely, all of its right, title and interest in and to the Funding Agreement. This assignment shall be effective from and after the Effective Date.

(b) Cascades Project hereby accepts the foregoing assignment.

Section 2.2. Assumption. Cascades Project hereby assumes, from and after the Effective Date, all of the duties, obligations and covenants of Cascade Park under and pursuant to the Funding Agreement, to the extent the same accrue on or after the Effective Date.

ARTICLE III

THIRD PARTY BENEFICIARIES; REFERENCES; NOTICES

Section 3.1. Third-Party Beneficiaries. The Community Facilities District and the City are third-party beneficiaries of this Assignment Agreement.

Section 3.2. References. From and after the Effective Date, the term “Developer” in the Funding Agreement shall be deemed to refer to Cascades Project, and references to “Cascades Park Properties, LLC” in Exhibit B and Exhibit C to the Funding Agreement shall be deemed to be references to “Cascades Project Owner, LLC.”

Section 3.3. Notices. For purposes of Section 6.7 of the Funding Agreement, the address of Cascades Project, as Developer, shall be as set forth below, or such other address as Cascades Project may provide to the Community Facilities District and the City in writing from time to time, namely:

Developer:	Cascades Project Owner, LLC 1999 Avenue of the Stars, Suite 2850 Los Angeles, California 90067 Attention: Rick Arambulo
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ARTICLE IV

MISCELLANEOUS

Section 4.1. No Other Third Party Beneficiaries. Except as provided in Section 3.1 hereof, no person or entity shall be deemed to be a third party beneficiary hereof, and nothing in this Assignment Agreement (either express or implied) is intended to confer upon any person or entity, other than Cascades Park, Cascades Project, the Community Facilities District and the City (and their respective successors and assigns), any rights, remedies, obligations or liabilities under or by reason of this Assignment Agreement.

Section 4.2. Usage of Words. As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine.

Section 4.3. Governing Law. This Assignment Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State.

Section 4.4. Counterparts. This Assignment Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement as of the day and year first hereinabove written.

CASCADES PARK PROPERTIES, LLC,
a California limited liability company

By: CLARK ASSOCIATES,
a California limited liability company,
its managing member

By: _____
Thomas F. Clark,
Managing Member

CASCADES PROJECT OWNER, LLC, a
Delaware limited liability company

By: WATERFALL INVESTORS, LLC,
a Delaware limited liability company

By: _____
Michael Rosenfeld, Manager

The Community Facilities District and the City hereby consent to the assignment by Cascades Park pursuant to Section 2.1 hereof and the assumption by Cascades Project pursuant to Section 2.2 hereof, and acknowledge and agree to the provisions of Section 3.2 hereof.

**CITY OF LOS ANGELES
COMMUNITY FACILITIES DISTRICT
NO. 8 (LEGENDS AT CASCADES)**

By: _____
Miguel A. Santana, City Administrative
Officer of the City of Los Angeles

CITY OF LOS ANGELES

By: _____
Miguel A. Santana,
City Administrative Officer

ATTEST:

HOLLY L. WOLCOTT,
INTERIM CITY CLERK

By: _____
Deputy

APPROVED AS TO FORM:

MICHAEL N. FEUER, CITY ATTORNEY

By: _____
Assistant City Attorney