

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: July 22, 2014

CAO File No. 0670-000245-0001

Council File No. New

Council District: 11

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Infrastructure Financing for Playa Vista Community Facilities District No. 4

Subject: **ISSUANCE OF REFUNDING BONDS FOR COMMUNITY FACILITIES DISTRICT NO. 4, PLAYA VISTA - PHASE 1**

SUMMARY

The Office of the City Administrative Officer (CAO) recommends approval of the attached Resolution that incorporates various documents required for the issuance and sale of up to \$100 million of Mello-Roos special tax refunding bonds for Community Facilities District No. 4, Playa Vista - Phase 1 (CFD 4) on a negotiated basis. Authority is requested to issue the maximum amount of refunding bonds needed to maximize interest rate savings, which will be determined at the time of sale, subject to market conditions.

Mello-Roos bonds issued for Community Facilities Districts (CFDs) are limited obligations secured solely by special taxes paid by the property owners within the CFD. Mello-Roos bonds are not secured by City revenues, are not part of the City's debt service to revenues calculation, and are entirely separate credits from the City. The purpose of this proposed refunding is to take advantage of improved market conditions and reduce the special tax levied on property owners within the CFD.

BACKGROUND

Phase 1 of the Playa Vista project was established as CFD 4 in 1999 and comprises a portion of a master-planned community consisting of single-family, multi-family, apartment, commercial, retail and public amenities on 169 acres located in the Westchester-Playa Del Rey area of the City (C.F. 99-0385). There are currently 450 apartments and 1,832 single family residential units within the CFD, in addition to the commercial/office/retail space and public amenities. Development within CFD 4 is nearly complete, there are plans for an additional 150,000 square feet of commercial/office space and 89 additional single family units. The City has an extensive history working with the developer of this project, going back over 20 years.

PROPOSED TRANSACTION

This Office recommends the sale of the Series 2014 bonds on a negotiated basis by Piper Jaffray & Co., selected from the approved qualified list of underwriters for land-secured transactions (C.F. 10-1763). The proposed underwriter is one of the leading underwriters of land-secured credits in California. The proposed method of sale is based on the need to have the credit aggressively marketed prior to sale since land-secured bonds are generally lower rated than other types of municipal bonds and to attract sufficient interested investors that will result in lower interest costs and produce maximum savings.

The firm providing financial advisory services for this transaction selected from the approved qualified list is CSG Financial Advisors (C.F. 14-0412). Orrick, Herrington & Sutcliffe LLP has a long history on this project and is serving as Bond Counsel (C.F. 12-0917).

The outstanding balance of the original Series 2003 bonds is currently \$97.8 million. The maturity of the refunding bonds cannot be extended beyond the original maturity date pursuant to state law; the refunding bonds will mature in 2031. The expected par amount of the proposed Series 2014 bonds is \$85.8 million and the anticipated savings to the tax payers from the refunding is approximately \$750,000 annually. These figures may change subject to market conditions. Series 2003 requires that refundings occur on interest payment dates only, which in this case is every March 1st and September 1st. This Office is pursuing an aggressive schedule to make the September 1st call date for the refunding to minimize the risk of loss of savings due to possible future interest rate movement.

To issue the refunding bonds, the Council must adopt a Resolution Authorizing the Issuance of Special Tax Refunding Bonds in an amount not to exceed \$100 million, approve the legal and financial documents necessary to complete the bond transaction and establish the parameters for the bond sale.

The following documents are required for the recommended actions:

- Attachment A - Resolution Authorizing the Issuance of Special Tax Refunding Bonds;
- Attachment B – Indenture;
- Attachment C – Escrow Agreement;
- Attachment D – Bond Purchase Agreement;
- Attachment E – Continuing Disclosure Agreement; and
- Attachment F – Preliminary Official Statement

These recommendations are consistent with the City's Financial Policies in that all costs associated with this project will be paid from bond proceeds. In no event shall the City's General Fund be called up on for repayment of any principal or interest on these bonds. Accordingly, there is no impact on the General Fund.

RECOMMENDATIONS

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

1. ADOPT the Resolution Authorizing the Issuance of City of Los Angeles Community Facilities District No. 4 (Playa Vista – Phase 1) Special Tax Refunding Bonds, Series 2014 and other actions, including various documents required to execute the transaction, and authorizes the City Administrative Officer to take certain actions required to manage the transaction, including costs of issuance; and
2. AUTHORIZE the City Administrative Officer to make technical changes to implement the intent of the Council and Mayor.

FISCAL IMPACT STATEMENT

There is no impact on the General Fund as a result of the recommendations contained in this report. The bonds are payable solely from Mello-Roos Special Tax Revenues collected from parcels within Community Facilities District No. 4. All costs associated with this transaction will be paid by 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 to the City's General Fund from the approval of the recommendations in this report. The proposed transaction is expected to generate annual debt service savings of \$750,000 for the tax payers of the District, pursuant to the City's Debt Management Policies. The bonds are payable solely from Mello-Roos Special Tax Revenue collected from parcels within Community Facility District No. 4. A default in the repayment of Mello-Roos bonds would not adversely affect the City's general credit rating because Mello-Roos bonds are not payable from the General Fund.

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Attachments