



City of La Quinta

CITY / SA/ HA/ FA MEETING DATE: June 17, 2014

ITEM TITLE: ADOPT A RESOLUTION APPROVING THE SUBORDINATION OF THE STATUTORY PASS-THROUGH PAYMENTS DUE TO THE CITY OF LA QUINTA FROM THE SUCCESSOR AGENCY FOR THE COUNTY OF RIVERSIDE

AGENDA CATEGORY:

BUSINESS SESSION:

CONSENT CALENDAR:

STUDY SESSION:

PUBLIC HEARING:

RECOMMENDED ACTION:

Adopt a Resolution approving the subordination of Statutory Pass-Through Payments allocated to the City of La Quinta in connection with the refinancing of Riverside County's Desert Communities Redevelopment Project Area No. 4 2010A and 2010B tax allocation bond issues.

EXECUTIVE SUMMARY:

- Assembly Bill 1484 allows successor agencies to refinance former redevelopment agency bonds to reduce annual bond payments.
- The Successor Agency for the County of Riverside (Agency) plans to refinance the Desert Communities Redevelopment Project Area (DCPA) 2010A and 2010B tax allocation bonds prior to the end of Fiscal Year 2014/15.
- The City receives minimal property tax revenue from the DCPA provided per a pass-through payment that was established via the former redevelopment statutes.
- The Agency is requesting that the City subordinate its statutory pass-through payment to the refinancing bond debt service payments (Attachment 1).
- The refinancing bonds will lower the total debt service payments without increasing the term of the bonds.
- The City's response is due on or before July 18, 2014. A non-response will be deemed an automatic approval and shall be final.

FISCAL IMPACT:

Based on review of the County's fiscal reports, it is anticipated that Project Area DCPA will generate sufficient tax increment revenues to cover both the bond debt service and the \$15.7 million in pass-through payments over the next 30 years.

BACKGROUND/ANALYSIS:

Pursuant to the Health and Safety Code, a redevelopment agency may, with the taxing entity's approval, subordinate Statutory Pass-Through Payments to bonds issued by the redevelopment agency for the project area. This improves the credit position of the bonds and potentially increases the revenue stream for financing the bonds.

Disapproval by the City must be based on substantial evidence that the Agency cannot pay the debt service and statutory pass-through payments. Staff has reviewed the revenue projections and proposed debt service schedule provided by the Agency. This review indicates that there is sufficient revenue to pay both the pass-through payments and bond debt service. Further, the refinancing will reduce bond interest costs and the total amount of revenue needed to make bond payments, which will further secure the City's pass-through payments.

ALTERNATIVES:

Council may choose not to respond; however, doing so will trigger an automatic approval. Therefore, staff does not recommend an alternative.

Report prepared by: Teresa Thompson, Deputy City Clerk
Report approved for submission by: Susan Maysels, City Clerk

Attachment: 1. Riverside County EDA correspondence

RESOLUTION NO. 2014 -

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LA QUINTA, CALIFORNIA, APPROVING THE SUBORDINATION OF STATUTORY PASS-THROUGH PAYMENTS ALLOCATED TO THE CITY OF LA QUINTA IN CONNECTION WITH THE DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA NO. 4 TO THE SUCCESSOR AGENCY FOR THE COUNTY OF RIVERSIDE PAYMENT OBLIGATIONS FOR REFUND OF BOND ISSUE 2010A AND 2010B

WHEREAS, AB 1484 added Health and Safety Code section 34177.5, which provides, among other provisions, that a successor agency has the authority, rights, and powers of redevelopment agencies for the purpose of issuing bonds or incurring other indebtedness for specified purposes, including but not limited to refunding existing bonds or other indebtedness of the former redevelopment agency; and

WHEREAS, the Successor Agency for the County of Riverside (Agency) intends to issue a series of refunding bonds to be secured by the Agency's tax increment revenue, and

WHEREAS, California Health and Safety Code Section 33607.5(e) provides that the Agency may, with a taxing entity's approval, subordinate amounts payable from tax increments of a redevelopment project area (Statutory Pass-Through Payments) to bonds issued by the Agency; and

WHEREAS, the Agency has requested that the City of La Quinta agree to subordinate the Statutory Pass-Through Payments it receives from the County of Riverside Redevelopment Project Area No. 4 to the debt service on the Bonds.

WHEREAS, the Agency has provided a tax revenue projection summary that includes debt service analysis showing sufficient funds available to pay both debt service on the Bonds and the Statutory Pass-Through Payments required to pay the City of La Quinta.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of La Quinta, California, as follows:

The City Manager is authorized to execute the attached Acknowledgement (Exhibit A) and submit the Acknowledgement to the Agency by July 18, 2014.

PASSED, APPROVED, and ADOPTED at a regular meeting of the La Quinta City Council held on this _____ day of _____ 2014 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

DON ADOLPH, Mayor
City of La Quinta, California

ATTEST:

SUSAN MAYSELS, City Clerk
City of La Quinta, California

(CITY SEAL)

APPROVED AS TO FORM:

M. KATHERINE JENSON, City Attorney

EXHIBIT A

ACKNOWLEDGEMENT

(Successor Agency for the County of Riverside Redevelopment Project Area No. 4)

In response to the request by Successor Agency for the County of Riverside (the "Agency") set forth in a letter dated May 28, 2014 from _____, the Agency's _____ (the "Subordination Request"), to approve the Agency's subordination of Statutory Pass-through Payments, the City of La Quinta hereby confirms its approval of the subordination of the Agency's obligation to pay Statutory Pass-through Payments to City of La Quinta in connection with the Redevelopment Project Area No. 1 to the Agency's payment obligations for the Bonds.

The governing board of the City of La Quinta has taken formal action on _____, 2014, to acknowledge and approve this subordination. A copy of the related [resolution / minute order] is enclosed.

All capitalized terms used but not defined in this Acknowledgement have the meaning ascribed to them in the Subordination Request.

IN WITNESS WHEREOF, the undersigned has caused this Acknowledgement to be signed by its authorized representative on this ____ day of _____, 2014.

City of La Quinta

By: _____

Name: _____

Title: _____



ATTACHMENT 1

RECEIVED
CITY CLERK'S OFFICE

2014 MAY 29 PM 1:49

CITY OF LA QUINTA
CALIFORNIA

May 28, 2014

City of La Quinta
78495 Calle Tampico
La Quinta, CA 92253

Re: Subordination Request Relating to Proposed Refunding Bond Issue for Redevelopment Project Area No. 4 (DCPA) of the Successor Agency for the County of Riverside

To Whom It May Concern:

AB 1484 allows successor agencies to refund the bonds of their former redevelopment agencies to provide debt service savings. I am writing to you on behalf of the Successor Agency for the County of Riverside (the "Agency") pursuant to Section 33607.5(e) and Section 34177.5(c) of the California Health and Safety Code (the "Code"). As you are aware, the Agency may, with a taxing entity's approval, subordinate amounts (payable from tax increments of a redevelopment project area) that the Agency is required to pay such taxing entity pursuant to Section 33607.5 and Section 34183 of the Code (the "Statutory Pass-through Payments") to the debt service bonds issued by the Agency for the same project area. At this time, the Agency is expecting to issue a series of refunding bonds (the "Bonds") to be secured by the Agency's tax increment revenues from the Agency's Redevelopment Project Area No. 4 (the "Project Area"). The issuance of these bonds will lower the total debt service payments for the project area without increasing the term of the bonds. By this letter, the Agency requests that the City of La Quinta agree to the subordination of Statutory Pass-through Payments that the Agency is required to pay the City of La Quinta in connection with the Project Area to the Agency's payment obligations for the Bonds.

The Agency is planning to issue the Bonds prior to the end of fiscal year 2014-15. Enclosed for your review, pursuant to Section 33607.5(2)(e) of the Code, is a tax increment revenue projection summary, which includes a debt service coverage analysis prepared by Urban Analytics LLC (the "Fiscal Consultant"). The Fiscal Consultant's report shows that the Agency can reasonably expect to have sufficient funds available to pay both debt service on the Bonds and all of the Agency's Statutory Pass-through Payments owed to the various affected taxing entities for the Project Area.

P.O. Box 1180 • Riverside, California • 92502 • T: 951.955.8916 • F: 951.955.6686

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For the benefit of the Agency's records, please complete the attached Acknowledgement and return it to me no later than July 18, 2014. The Agency also requests that the governing board of the City of La Quinta take official action, by resolution or motion, to formally approve the subordination of your Statutory Pass-through Payments to the Bonds (including the escrow Bonds).

Please note that, in accordance with Section 33607.5(e)(3) and Section 34177.5(c)(3) of the Code, if the City of La Quinta does not respond to the requested subordination within forty-five (45) days of this letter, the subordination will be automatically deemed approved by the City of La Quinta and such approval shall be final and conclusive. Furthermore, to disapprove this subordination, the City of La Quinta must find, based on substantial evidence, that the Agency will not be able to pay the debt service on the Bonds and the Statutory Pass-through Payments that it is required to pay the City of La Quinta.

Thank you in advance for your cooperation in this matter. If you have any questions regarding this matter, please do not hesitate to contact me at (951) 955-1110.

Sincerely,

Successor Agency for the County
of Riverside

By: Rohini Dasika

Encl's.

SCHEDULE A - AB1290 PASSTHROUGH SUBORDINATION
 Tax Increment Projection for Project Area DCPA
 Using Two Percent Assessed Valuation Growth Rate After 2014/15

Fiscal Year	Gross Tax Increment	Proportional Housing Debt Service	Senior Pass-Through Payments	Other Senior Obligations	Senior Passthrough Payments & Other Senior Obligations	Net Tax Increment	Maximum Total Senior Debt Service	Available for Subordinated Passthroughs	Subordinated Passthrough Payments	Bond Debt Service Coverage
2014/15	21,480,091	(3,174,760)	(5,446,469)	(322,201)	(5,768,671)	12,536,660	(10,474,107)	2,062,554	(329,929)	120%
2015/16	21,994,899	(3,163,398)	(5,559,637)	(329,023)	(5,888,660)	12,882,841	(10,475,982)	2,406,859	(338,632)	123%
2016/17	22,398,803	(3,153,780)	(5,675,068)	(335,928)	(6,011,050)	13,233,972	(10,472,157)	2,761,816	(347,508)	126%
2017/18	22,871,984	(3,142,639)	(5,792,807)	(343,080)	(6,135,887)	13,593,459	(10,474,406)	3,119,053	(356,562)	130%
2018/19	23,354,630	(3,132,651)	(5,912,902)	(350,319)	(6,263,221)	13,958,758	(10,471,794)	3,486,964	(365,797)	133%
2019/20	23,846,928	(3,123,178)	(6,035,398)	(357,704)	(6,393,102)	14,330,648	(10,474,169)	3,856,480	(375,217)	137%
2020/21	24,349,073	(3,112,588)	(6,160,344)	(365,236)	(6,525,580)	14,710,895	(10,473,470)	4,237,425	(384,825)	140%
2021/22	24,861,260	(3,103,939)	(6,287,789)	(372,919)	(6,660,708)	15,096,613	(10,475,794)	4,620,819	(394,626)	144%
2022/23	25,383,691	(3,094,771)	(6,417,733)	(380,755)	(6,798,538)	15,490,381	(10,473,944)	5,016,438	(404,622)	148%
2023/24	25,916,571	(3,085,364)	(6,550,377)	(388,749)	(6,939,125)	15,892,062	(10,474,819)	5,416,474	(414,819)	152%
2024/25	26,460,108	(3,077,865)	(6,685,623)	(396,902)	(7,082,524)	16,299,719	(10,472,800)	5,826,919	(425,219)	156%
2025/26	27,014,516	(3,069,333)	(6,823,573)	(405,218)	(7,228,791)	16,716,392	(10,475,031)	6,241,361	(435,827)	160%
2026/27	27,580,012	(3,061,107)	(6,964,283)	(413,700)	(7,377,983)	17,140,922	(10,471,882)	6,669,040	(446,648)	164%
2027/28	28,156,818	(3,053,424)	(7,107,807)	(422,352)	(7,530,159)	17,573,235	(10,472,739)	7,100,496	(457,684)	168%
2028/29	28,745,160	(3,045,424)	(7,254,201)	(431,177)	(7,685,378)	18,014,358	(10,473,613)	7,540,745	(468,942)	172%
2029/30	29,345,269	(3,038,185)	(7,403,523)	(440,179)	(7,843,702)	18,463,382	(10,473,632)	7,989,750	(491,793)	176%
2030/31	29,957,381	(3,029,692)	(7,555,832)	(449,361)	(8,005,192)	18,922,496	(10,473,826)	8,448,670	(515,312)	181%
2031/32	30,581,794	(3,060,325)	(7,711,187)	(458,726)	(8,169,913)	19,351,497	(10,471,688)	8,879,809	(539,302)	185%
2032/33	31,218,575	(3,111,418)	(7,869,648)	(468,279)	(8,337,927)	19,769,229	(10,474,788)	9,294,441	(563,771)	189%
2033/34	31,868,152	(3,104,230)	(8,031,280)	(478,022)	(8,509,302)	20,254,620	(10,471,388)	9,783,232	(588,730)	193%
2034/35	32,530,721	(3,097,741)	(8,196,143)	(487,961)	(8,684,104)	20,748,875	(10,473,813)	10,275,062	(614,188)	198%
2035/36	33,206,541	(3,090,286)	(8,364,304)	(498,098)	(8,862,403)	21,253,852	(10,472,263)	10,781,589	(640,153)	203%
2036/37	33,895,829	(3,082,835)	(8,535,829)	(508,438)	(9,044,267)	21,768,776	(10,474,038)	11,294,738	(666,641)	208%
2037/38	3,014,686	(233,847)	(221,910)	(45,220)	(267,130)	2,513,709	0	2,513,709	(585,005)	0%
2038/39	3,000,313	(226,996)	(215,596)	(45,005)	(260,601)	2,512,716	0	2,512,716	(584,492)	0%
2039/40	2,148,829	(151,083)	0	(32,232)	(32,232)	1,965,514	0	1,965,514	(563,035)	0%
2040/41	2,201,013	(128,029)	0	(33,015)	(33,015)	2,039,969	0	2,039,969	(587,708)	0%
2041/42	2,254,240	(127,931)	0	(33,814)	(33,814)	2,092,496	0	2,092,496	(612,874)	0%
2042/43	2,308,533	0	0	(34,628)	(34,628)	2,273,905	0	2,273,905	(638,543)	0%
2043/44	2,363,911	0	0	(35,459)	(35,459)	2,328,452	0	2,328,452	(664,726)	0%
2044/45	2,420,396	0	0	(36,306)	(36,306)	2,384,091	0	2,384,091	(691,432)	0%
2045/46	0	0	0	0	0	0	0	0	0	0%
2046/47	0	0	0	0	0	0	0	0	0	0%
2047/48	0	0	0	0	0	0	0	0	0	0%
2048/49	0	0	0	0	0	0	0	0	0	0%
2049/50	0	0	0	0	0	0	0	0	0	0%
2050/51	0	0	0	0	0	0	0	0	0	0%
2051/52	0	0	0	0	0	0	0	0	0	0%
2052/53	0	0	0	0	0	0	0	0	0	0%
2053/54	0	0	0	0	0	0	0	0	0	0%
2054/55	0	0	0	0	0	0	0	0	0	0%
2055/56	0	0	0	0	0	0	0	0	0	0%
2056/57	0	0	0	0	0	0	0	0	0	0%
2057/58	0	0	0	0	0	0	0	0	0	0%
Total	668,048,032	(76,352,313)	(164,200,208)	(10,020,720)	(174,220,929)	417,474,790	(251,367,665)	166,107,125	(15,782,528)	

