

Overview of First Draft Legal Documents for Proposed FORA Bond Issue

September 4, 2019

Key Roles in Bond Issuance Process

- ▶ **FORA** – authorizes bond issuance and vets project invoices until FORA dissolution
- ▶ **County** – holds public hearing under Marks Roos Act and agrees to send FORA property tax increment to bond trustee
- ▶ **Successor Entity** – takes over contractual relationship with bond issue trustee after FORA dissolution, and vets project invoices after FORA dissolution
- ▶ **Trustee** – receives and holds tax increment to pay bond investors, receives and holds bond proceeds to pay building removal costs
- ▶ **Project Area Successor Agencies**– firm allocation of net bond proceeds at closing by project area

How the Bond Issue Cash Flow Would Work

1. County receives property tax payment from FORA project area parcel owners
2. County calculates 35% share due to FORA under FORA authorizing statute
 - ▶ Calculation continues after FORA dissolution
3. County sends all of the 35% allocation to bond trustee for each regular distribution of property tax dollars
 - ▶ 35% allocation continues until 100% of annual debt service for that bond year has been received by trustee
 - ▶ Trustee is responsible for letting the County know the annual debt service requirement
 - ▶ After annual debt service target is met, County stops sending money to trustee and allocates remaining FORA property taxes as provided for in authorizing statute and RDA dissolution statute
4. Trustee holds funds received from County
 - ▶ Trustee uses those funds to make semi-annual payments of interest and annual payment of principal to bond investors
 - ▶ Trustee keeps track of bond owners entitled to receive principal and interest payments

Basic Legal Documents for the FORA Bond Issue

Authorizing Resolution for FORA Board

- ▶ County needs to adopt resolution to commit to do the tax increment “intercept” transfer to bond trustee
- ▶ “Successor Entity” to FORA after FORA’s dissolution may need to adopt its own resolution

Indenture of Trust

- ▶ County and Successor Entity will be party to this agreement

Official Statement

- ▶ Disclosure document for potential bond investors

Authorizing Resolution

- ▶ Authorizes pledge of FORA tax increment
 - ▶ Can also authorize allocation of bond proceeds amongst stakeholders
- ▶ Sets not to exceed amounts for bond issue size, interest rate and underwriter's discount
- ▶ Identifies bond issue purpose
- ▶ May also identify Successor Entity

Indenture of Trust

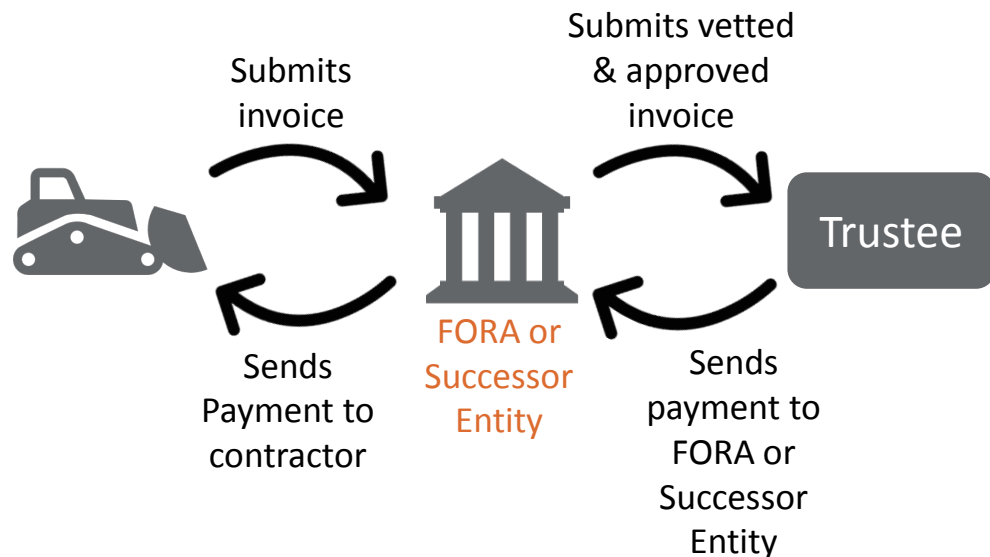
- ▶ Provides detail on how the actual cash flow for the bond issue works
- ▶ Identifies specific allocation for all bond proceeds
- ▶ Outlines specific instructions on how to release bond proceeds to pay invoices from stakeholders
 - ▶ Each Project Area has its own separate account with trustee
- ▶ Provides instructions for trustee on how to manage bond owners
- ▶ Sets parameters for legal investment of funds

Can the Intended Allocation of Bond Proceeds be Amended?

- ▶ Indenture of Trust does not allow allocation of proceeds by Project Area to be amended
 - ▶ If authorized project costs for building removal for a project area come in lower than estimated, surplus is re-allocated to the next highest priority project
 - ▶ If authorized project costs for building removal for a project area come in higher, than funds from lowest priority project are reallocated
 - ▶ FORA Board approves prioritization of building removal projects for use of bond proceeds – prioritization is not subject to amendment
- ▶ Bond issue is assumed to be sold 100% on a taxable basis
 - ▶ No need for any Project Area Successor Agency receiving an allocation to be concerned by payment of invoices for building removal being correct under Federal tax law
- ▶ What if the net proceeds at bond sale for building removal are higher or lower than currently anticipated?
 - ▶ Is the surplus or shortfall allocated amongst stakeholders by project or by percentage?
 - ▶ FORA board needs to make this determination

How Cash Flows for Building Removal Would Work

- ▶ FORA receives invoice from contractor for building removal work
- ▶ FORA vets the invoice
- ▶ FORA submits vetted invoice to trustee along with certificate stating that stakeholder has verified appropriateness of invoice
- ▶ Trustee pays FORA directly the amount of the invoice
- ▶ FORA pays contractor



Trustee can also pay contractor directly at direction of FORA or Successor Entity

Summary of Successor Entity Responsibilities

- ▶ Administer contract with trustee
 - ▶ Authorize annual payment of trustee's fees
 - ▶ Successor Entity may elect to change trustees in the future
- ▶ No responsibility for vetting payment of invoices by trustee
- ▶ Worst case staff impact from Successor Entity: managing a bond default
 - ▶ Trustee is responsible for implementing all remedies for bond default
 - ▶ Successor Entity must be in close communication with trustee as remedies are implemented, and may be required to approve certain remedies
 - ▶ Successor Entity and Trustee can be fully reimbursed from pledged revenues for all expenses related to a bond default
- ▶ Vet invoices after FORA dissolves
- ▶ Responsible for continuing disclosure after FORA dissolves

Next Steps – An Overview of the Suggested Schedule (September)

- Friday, September 6th – underwriter proposal received
 - ▶ NHA works with FORA staff on recommendation for underwriting team
 - ▶ FORA and stakeholders get more accurate estimate of net proceeds for building removal under current market conditions
- NHA sends out RFP for trustee services
 - ▶ NHA needs to know if any FORA stakeholders have a “favorite trustee”
- Week of September 23rd – draft fiscal consultant’s report released, draft official statement released

Next Steps – An Overview of the Suggested Schedule (October)

- Week of September 30 – County Board holds public hearing on FORA bond issues (as required by Marks-Roos Act)
- Monday, October 7th – FORA Board workshop on proposed financing
- Week of October 7th – Credit rating presentations to Standard & Poor’s and bond insurers
- Friday, October 11th – FORA Board formally approves legal documents for bond issue
 - ▶ 60 day “passive” validation clock starts ticking
- Mid-October – FORA bond issue receives credit rating from Standard & Poor’s and commitment for bond insurance
 - ▶ Net bond proceeds amount for each stakeholder is now subject only to bond market conditions

Next Steps – An Overview of the Suggested Schedule (December)

- Monday, December 2nd – Preliminary Official Statement released to potential bond investors
- Monday, December 10th – FORA bonds sold by underwriting team
- Tuesday, December 11th – final allocation of FORA bond proceeds made by financing team according to instructions on surplus or shortfall received from FORA board
- Tuesday, December 18th – FORA bond issue closed. Proceeds are available to pay stakeholder invoices

Homework for FORA Stakeholder Team

1. Consensus on building removal project prioritization
2. Consensus on allocation of net bond proceeds
3. Consensus on how to address surplus or shortfall in net bond proceeds
4. Consensus on not allowing any amendments of final allocation of bond proceeds
5. Consensus on Successor Entity
6. Consensus on suggested financing schedule
7. FORA and Fire District reach agreement on mitigation of adverse financial impact on Fire District

Project Priorities

DRAFT Priorities	SF	Construction Cost	10% Admin	20% Contingency	Total	\$/SF	
		12,890,530	1,841,504	3,683,008			
Surplus II – Hammerheads	336,000	12,302,645	1,757,521	3,515,041	17,575,207	\$ 52.31	Seaside
Surplus II - MST building	22,500	587,885	83,984	167,967	839,835	\$ 37.33	Seaside
Waste Treatment Plant	77,800	1,114,702	159,243	318,486	1,592,431	\$ 20.47	County
TAMC – Transit Center	115,000	2,484,846	354,978	709,956	3,549,780	\$ 30.87	Marina
Cypress Knolls	500,000	12,025,976	1,717,997	3,435,993	17,179,965	\$ 34.36	Marina
Ammo Supply Point	130,000	1,569,683	224,240	448,481	2,242,405	\$ 17.25	County
Marina Park	147,000	3,841,474	548,782	1,097,564	5,487,820	\$ 37.33	Marina
Marina Arts District	121,500	1,698,334	242,619	485,238	2,426,191	\$ 19.97	Marina
MST – Transit Center	3,500	91,459	13,066	26,131	130,655	\$ 37.33	Marina
MCWD – Storage	41,450	1,083,014	154,716	309,433	1,547,163	\$ 37.33	Marina
E2c.4.2.1 (Stockade) as needed	57,350				3,000,000		Marina
		36,740,246	5,248,607	10,497,213	55,486,066		