

# Oakland Oversight Board

## Memorandum

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**TO:** Oakland Oversight Board

**FROM:** Katano Kasaine

**SUBJECT:** Successor Agency Subordinated Tax  
Allocation Refunding Bonds, Series 2015-  
TE & 2015-T

**DATE:** April 27, 2015

**ITEM:** #3

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### **EXECUTIVE SUMMARY**

Staff is recommending that the Oakland Oversight Board adopt a resolution approving the issuance of refunding bonds by the Oakland Redevelopment Successor Agency (the "Successor Agency"), and making certain determinations with respect to the refunding bonds and providing for other matters relating thereto. The City Council/Successor Agency Board approved a corresponding resolution authorizing issuance of the 2015 Refunding Bonds on April 21, 2015.

In an effort to provide the City and Successor Agency with the most cost effective financing, staff continuously monitors refunding opportunities on all of the Successor Agency's outstanding debt. Given the favorable interest rate environment as of April 7, 2015, issuing the Successor Agency Subordinated Tax Allocation Refunding Bonds, Series 2015-TE and Subordinated Tax Allocation Refunding Bonds, Series 2015-T (the "2015 Refunding Bonds") in a combined aggregate principal amount of not to exceed \$115,000,000 to refund all or a portion of the hereinafter defined Prior Bonds is expected to generate debt service savings of approximately \$10.3 million through fiscal year ("FY") 2037. The net present value ("NPV") savings are expected to be \$8.0 million or 7.7 percent of the refunded principal.

### **OUTCOME**

Adopting the resolution will approve the issuance of the 2015 Refunding Bonds. Issuing the 2015 Refunding Bonds will refund all or a portion of the Prior Bonds resulting in a reduction in annual debt service payments as reflected on the Recognized Obligation Payment Schedule (the "ROPS") and an increase in residual property tax revenues available for distribution to affected taxing entities as reflected in the Redevelopment Property Tax Trust Fund (the "RPTTF").

### **BACKGROUND**

The Redevelopment Agency of the City of Oakland (the "Former Agency") issued \$2,195,000 aggregate principal amount of Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A (the "Series 2006A Bonds") and \$82,645,000 aggregate principal amount of

Subordinated Housing Set Aside Revenue Bonds, Series 2006A-T (the "Series 2006A-T Bonds") in 2006 for the purpose of financing and refinancing low and moderate income housing activities in the Former Agency's project areas. The Former Agency also issued \$13,780,000 aggregate principal amount of Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE (the "Series 2006A-TE Bonds"), \$28,770,000 aggregate principal amount of Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE (the "Series 2006B-TE Bonds") and \$4,945,000 aggregate principal amount of Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE (the "Series 2006C-TE Bonds" and together with the Series 2006A Bonds, Series 2006A-T Bonds, Series 2006A-TE Bonds and Series 2006B-TE Bonds the "Prior Bonds") in 2006 for the purpose of financing and refinancing redevelopment activities within or for the benefit of the Former Agency's respective project areas.

ABx1 26 was enacted as part of the FY 2011-12 State budget package in June 2011 and upheld by the California Supreme Court to be largely constitutional on December 29, 2012 resulting in the dissolution of all California redevelopment agencies, including the City's Former Agency, as of February 1, 2012. ABx1 26 enabled the formation of successor agencies, including the City's Successor Agency, which have the responsibility of winding down outstanding obligations and affairs of the former redevelopment agencies. One primary obligation of successor agencies is to ensure that outstanding bond payments are made in a timely manner until the associated debt is paid off. Successor agencies are also charged with the divesting of other assets that the successor agencies may control.

AB 1484 is follow-up legislation that was passed on June 27, 2012 by the State legislature to clarify and better organize certain procedures created by ABx1 26. AB 1484 permits successor agencies to refund outstanding bonds or other obligations of a former redevelopment agency if the aggregate amount of principal and interest of the refunding bonds does not exceed the aggregate amount remaining unpaid on the refunding bonds, and it provides debt service savings to the successor agency pursuing the refunding.

## **ANALYSIS**

The Successor Agency will issue the 2015 Refunding Bonds to refund all or a portion of the Prior Bonds in order to achieve debt service savings in accordance with the savings parameters. The 2015 Refunding Bonds will be issued as current interest, fixed rate bonds. The issuance will be sold through a negotiated bid process due to the complexity of the transaction and to preserve structuring flexibility. Annual debt service for the 2015 Refunding Bonds will be included in the Successor Agency's ROPS and payable from the RPTTF held by the County Auditor-Controller. Property tax revenues in the RPTTF are equivalent to the amount of tax increment revenues, which were formally received under the Redevelopment Law, for use in financing of redevelopment projects.

Given the favorable interest rate environment as of April 7, 2015, refunding the Prior Bonds is expected to generate debt service savings of approximately \$10.3 million through FY 2037. The NPV savings are expected to be \$8.0 million or 7.7 percent of the refunded principal as shown in Table 1 following.

Table 1: Estimated Debt Service Savings as of April 7, 2015

Bond Series	2006A	2006A-T	2006A-TE	2006B-TE	2006C-TE	Total
Debt Service Savings	\$72,762	\$6,153,630	\$1,933,394	\$1,563,267	\$613,505	\$10,336,558
NPV Savings	\$72,099	\$5,335,586	\$1,135,669.98	\$1,040,308	\$420,790	\$8,004,453
NPV Savings as % of Refunded Principal	3.28%	8.90%	8.24%	4.45%	8.51%	7.68%

Staff recommends adoption of the resolution approving the Successor Agency's issuance of the 2015 Refunding Bonds and providing for other matters relating thereto. In addition to approval from the Oversight Board, staff is seeking approvals from the City Council/Successor Agency Board and State of California Department of Finance in order to issue the 2015 Refunding Bonds. The City Council/Successor Agency Board approved a resolution authorizing issuance of the 2015 Refunding Bonds on April 21, 2015.

In order to realize debt service savings beginning in January 2016, staff is expecting the 2015 Refunding Bonds to close on or before June 30, 2015 as summarized in the financing schedule in the following Table 2.

Table 2: Proposed Financing Schedule

Date	Action
April 21, 2015	City Council and Agency Board Meeting - Approval of resolutions authorizing issuance of the bonds and approving the legal documents
April 27, 2015	Oversight Board Meeting - Approval of resolutions authorizing issuance of the bonds and approving the legal documents
April 28, 2015	State of California, Department of Finance - Submit documents for approval of bond refunding (Start of 65 day review period)
June 2, 2015	City Council and Agency Board Meeting - Approval of resolutions relating to the refunding
June 16, 2015	Pricing of the 2015 Refunding Bonds
June 26, 2015	State of California, Department of Finance - End of 65 day review period
June 30, 2015	Closing of the 2015 Refunding Bonds
January 2016	Surplus funds released to taxing entities

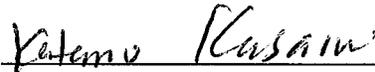
**COST SUMMARY/IMPLICATIONS**

Annual debt service for the 2015 Refunding Bonds will be included in the Successor Agency's ROPS and payable from the RPTTF. Fees associated with issuance of the 2015 Refunding Bonds will be paid from bond proceeds and contingent upon closing of the transaction.

Debt service savings generated by the 2015 Refunding Bonds will increase residual property tax revenues available for distribution to affected taxing entities in the RPTTF. The refunding is expected to generate total debt service savings of approximately \$10.3 million through FY 2037. The NPV savings are expected to be \$8.0 million or 7.7 percent of the refunded principal.

For questions regarding this report, please contact Katano Kasaine, Treasurer at (510) 238-2989.

Respectfully submitted,



KATANO KASAINE  
Treasurer, Treasury Bureau

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Treasury Bureau

Prepared by:  
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Treasury Division

# OAKLAND OVERSIGHT BOARD

RESOLUTION No. 2015-\_\_\_\_\_

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**A RESOLUTION APPROVING THE ISSUANCE OF REFUNDING BONDS BY THE OAKLAND REDEVELOPMENT SUCCESSOR AGENCY, AND MAKING CERTAIN DETERMINATIONS WITH RESPECT TO THE REFUNDING BONDS AND PROVIDING FOR OTHER MATTERS RELATING THERETO**

**WHEREAS**, the Redevelopment Agency of the City of Oakland (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (the "Law"); and

**WHEREAS**, pursuant to Section 34172(a) of the California Health and Safety Code (unless otherwise noted, all Section references hereinafter being to such Code), the Former Agency has been dissolved and no longer exists, and pursuant to Section 34173, the Oakland Redevelopment Successor Agency (the "Successor Agency") has become the successor entity to the Former Agency; and

**WHEREAS**, pursuant to Section 34179, this Oversight Board (the "Oversight Board") has been established for the Successor Agency; and

**WHEREAS**, the Oversight Board is informed by the Successor Agency that, prior to dissolution of the Former Agency, the Former Agency issued the following series of bonds (collectively, the "Prior Bonds") for the purpose of financing and refinancing the redevelopment activities of the Former Agency:

(i) \$2,195,000 initial aggregate principal amount of Redevelopment Agency of the City of Oakland Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A;

(ii) \$82,645,000 initial aggregate principal amount of Redevelopment Agency of the City of Oakland Subordinated Housing Set Aside Revenue Bonds, Series 2006A-T (Federally Taxable);

(iii) \$13,780,000 initial aggregate principal amount of Redevelopment Agency of the City of Oakland Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE;

(iv) \$28,770,000 initial aggregate principal amount of Redevelopment Agency of the City of Oakland Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE; and

(v) \$4,945,000 initial aggregate principal amount of Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE; and

**WHEREAS**, Section 34177.5 authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Refunding Law”) for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the “Savings Parameters”); and

**WHEREAS**, to determine compliance with the Savings Parameters for purposes of the issuance by the Successor Agency of its Oakland Redevelopment Successor Agency Subordinated Tax Allocation Refunding Bonds, Series 2015-TE (the “Series 2015-TE Refunding Bonds”) and its Oakland Redevelopment Successor Agency Taxable Subordinated Tax Allocation Refunding Bonds, Series 2015-T (the “Taxable Series 2015-T Refunding Bonds”) and, together with the Series 2015-TE Refunding Bonds, the “Refunding Bonds”), the Successor Agency has caused its financial advisor, Fieldman, Rolapp & Associates, Inc. (the “Financial Advisor”), to prepare an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of the proceeds of the Refunding Bonds to refund the Prior Bonds (the “Debt Service Savings Analysis”); and

**WHEREAS**, the Successor Agency has, on April 21, 2015, heretofore adopted a resolution (the “Successor Agency Resolution”) approving the issuance of the Refunding Bonds pursuant to Section 34177.5(a)(1); and

**WHEREAS**, the Successor Agency has provided the final version of the Successor Agency Resolution to the Oversight Board; and

**WHEREAS**, in the Successor Agency Resolution, the Successor Agency approved the issuance of the Refunding Bonds and authorized the execution and delivery of the Indenture of Trust (the “Indenture”), by and between the Successor Agency and Zions First National Bank, as trustee, pursuant to which the Refunding Bonds will be issued; and

**WHEREAS**, the Successor Agency proposes to sell the Refunding Bonds to RBC Capital Markets, LLC and Stifel, Nicolaus & Company, Incorporated (collectively, the “Original Purchaser”), pursuant to the terms of the Purchase Agreement (the “Purchase Agreement”) to be entered into by the Successor Agency and the Original Purchaser;

**WHEREAS**, following approval by the Oversight Board of the issuance of the Refunding Bonds by the Successor Agency and upon submission of the Oversight Board Resolution to the California Department of Finance, the Successor Agency will, with the assistance of its disclosure counsel, Curls Bartling P.C., the Financial Advisor, and its fiscal consultant, HdL Coren & Cone, cause to be prepared a form of Official Statement for the Refunding Bonds describing the Refunding Bonds and containing material information relating to the Successor Agency and the Refunding Bonds, the preliminary form of which will be submitted to the Successor Agency for approval for distribution by the Original Purchaser, as underwriter of the Refunding Bonds, to persons and institutions interested in purchasing the Refunding Bonds; and

**WHEREAS**, the Oversight Board has completed its review of the refunding proceedings and the Debt Service Savings Analysis and wishes at this time to give its approval to the foregoing;

Based on the foregoing recitals and the documentation presented to the Oakland Oversight Board at a public meeting, the Oakland Oversight Board does resolve as follows:

**Section 1. Recitals.** The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

**Section 2. Determination of Savings.** The Oversight Board has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters by the issuance by the Successor Agency of the Refunding Bonds to refund and defease the Prior Bonds, all as evidenced by the Debt Service Savings Analysis presented to this meeting, which Debt Service Savings Analysis is hereby approved.

**Section 3. Direction and Approval of Issuance of the Refunding Bonds.** As authorized by Section 34177.5(f), the Oversight Board hereby directs the Successor Agency to undertake the refunding proceedings, and as authorized by Section 34177.5(f) and Section 34180, the Oversight Board hereby directs and approves the issuance by the Successor Agency of the Refunding Bonds pursuant to and in accordance with Section 34177.5(a)(1) and under other applicable provisions of the Law and the Refunding Law and as provided in the Successor Agency Resolution and the Indenture in a combined aggregate principal amount of not to exceed \$115,000,000, provided that the principal and interest payable with respect to the Refunding Bonds and the Prior Bonds being refunded complies in all respects with the requirements of the Savings Parameters with respect thereto, as shall be certified to by the Financial Advisor upon delivery of the Refunding Bonds or any part thereof.

In connection with the sale and issuance of the Refunding Bonds, the Successor Agency is authorized to purchase a municipal bond insurance policy or a reserve account surety bond for the Refunding Bonds if the Successor Agency determines that the purchase of either or both reduces the true interest cost of the Refunding Bonds

thereby increasing the savings obtained through the issuance of the Refunding Bonds and the refunding of the Prior Bonds.

**Section 4. Sale and Delivery of Refunding Bonds in Whole or in Part.** The Oversight Board hereby approves the sale and delivery of the Refunding Bonds in whole, provided that there is compliance with the Savings Parameters. However, if such Savings Parameters cannot be met with respect to the whole of the Refunding Bonds, then the Oversight Board approves the sale and delivery of the Refunding Bonds from time to time in part. In the event the Refunding Bonds are initially sold in part, the Successor Agency is hereby authorized to sell and deliver additional parts of the Refunding Bonds without the prior approval of the Oversight Board provided that in each such instance the Refunding Bonds so sold and delivered in part are in compliance with the Savings Parameters.

**Section 5. Determinations by the Oversight Board.** Based upon the full record before it, which includes but is not limited to staff reports, testimony, and other materials and evidence provided, the Oversight Board makes the following determinations upon which the Successor Agency shall rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds:

(a) The Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing its administrative staff for time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds;

(b) The application of proceeds of the Refunding Bonds by the Successor Agency to the refunding and defeasance of the Prior Bonds, as well as the payment by the Successor Agency of costs of issuance of the Refunding Bonds, as provided in Section 34177.5(a), shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds, notwithstanding Section 34177.3 or any other provision of law to the contrary, without the approval of the Oversight Board, the California Department of Finance, the Alameda County Auditor-Controller or any other person or entity other than the Successor Agency; and

(c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34181(a)(3) without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183. In addition and as provided by Section 34177.5(f), if the Successor Agency is unable to complete the issuance of any of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings

with respect to the Refunding Bonds from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance.

**Section 6. Further Determinations.** Pursuant to Health and Safety Code Section 34177(h), the Oversight Board further finds and determines, based on information provided, that: (a) the Successor Agency has made, and will continue to make, diligent efforts to assure that the lowest long-term cost financing is obtained with the Refunding Bonds; (b) the Refunding Bonds will not provide for any bullets or spikes and shall not use variable rates of interest; and (c) the Successor Agency has made, and will continue to make, use of an independent financial advisor in issuing the Refunding Bonds.

**Section 7. Effective Date.** Pursuant to Health and Safety Code Section 34177(f) and Section 34179(h), this Resolution shall be effective five (5) business days after proper notification hereof is given to the California Department of Finance unless the California Department of Finance requests a review of the actions taken in this Resolution, in which case this Resolution will be effective upon approval by the California Department of Finance.

ADOPTED, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2015

**PASSED BY THE FOLLOWING VOTE:**

AYES -

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
SECRETARY, OAKLAND  
OVERSIGHT BOARD