

AGENDA BILL

AUG 18 2003

5.B

Agenda Title:

Resolution Authorizing the Issuance and the Sale of not to Exceed \$30,000,000 Principal Amount of Petaluma Community Development Commission Petaluma Community Development Project Tax Allocation Bond, Series 2003A; Authorizing the Sale of Such Bonds on Certain Terms and Conditions Pursuant to a Competitive Sale; Approving Preparation and Distribution of the Official Statement, Authorizing Certain Other Official Action in Connection Therewith and Making Benefit Findings

Meeting Date:

August 18, 2003

Meeting Time: 3:00 PM
 7:00 PM

Category (check one): Consent Calendar Public Hearing New Business

Unfinished Business Presentation

Department:

Finance/Redevelop.

Director:

W. Thomas

Contact Person:

W. Thomas

Phone Number:

778-4323

Cost of Proposal:

Not applicable

Amount Budgeted: Not applicable**Account Number:**

Not applicable

Name of Fund:

PCDC - Fund 902

Attachments to Agenda Packet Item:

1. Resolution of the PCDC
2. Preliminary Official Statement, including form of Continuing Disclosure (draft)
3. Notice of Intention to Sell (draft)
4. Office Notice of Sale (draft)
5. Third Supplemental Indenture (draft)

Summary Statement:

The Petaluma Community Development Commission (PCDC) wishes to issue bonds in an amount not exceed \$30,000,000 (\$30 million) to finance various projects as described on Exhibit A to the Ordinance. The action required by the City Council, sitting as the Redevelopment Agency, is to authorize the issuance of these bonds based on specified terms and conditions pursuant to a competitive sale. The Commission is also approving the preparation and distribution of the "Official Statement", a draft of which is provided with this Agenda Bill. The Commission is also authorizing certain other official actions in connection with the sale including making benefit findings as detailed in the Resolution.

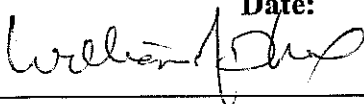
The actual amount of bonds will be determined based on the bonding capacity of the PCDC Project Area by the financial consultant.

Recommended City Council Action/Suggested Motion:

Adopt the Resolution.

Reviewed by Finance Director:

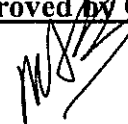
Date:


Reviewed by City Attorney:

Date:

Approved by City Manager:

Date:


Today's Date:

August 13, 2003

Revision # and Date Revised:

#

File Code:

CITY OF PETALUMA, CALIFORNIA

AUGUST 18, 2003

(Date of Meeting)

AGENDA REPORT

FOR

RESOLUTION AUTHORIZING THE ISSUANCE AND THE SALE OF NOT TO EXCEED \$30,000,000 PRINCIPAL AMOUNT OF PETALUMA COMMUNITY DEVELOPMENT COMMISSION PETALUMA COMMUNITY DEVELOPMENT PROJECT TAX ALLOCATION BOND, SERIES 2003A; AUTHORIZING THE SALE OF SUCH BONDS ON CERTAIN TERMS AND CONDITIONS PURSUANT TO A COMPETITIVE SALE; APPROVING PREPARATION AND DISTRIBUTION OF THE OFFICIAL STATEMENT, AUTHORIZING CERTAIN OTHER OFFICIAL ACTION IN CONNECTION THEREWITH AND MAKING BENEFIT FINDINGS

1. EXECUTIVE SUMMARY:

The Petaluma Community Development Commission (PCDC) wishes to issue bonds in an amount not exceed \$30,000,000 (\$30 million) to finance various projects as described on Exhibit A to the Ordinance. The action required by the City Council, sitting as the Redevelopment Agency, is to authorize the issuance of these bonds based on specified terms and conditions pursuant to a competitive sale. The Commission is also approving the preparation and distribution of the "Official Statement", a draft of which is provided with this Agenda Bill. The Commission is also authorizing certain other official actions in connection with the sale including making benefit findings as detailed in the Resolution.

The actual amount of bonds will be determined based on the bonding capacity of the PCDC Project Area by the financial consultant.

2. BACKGROUND:

The planning for the improvements to be financed with the proceeds of the bond issue has been underway for the past two years. The improvements are designed to alleviate blighting conditions within the Project Area and are consistent with the redevelopment plan for the Petaluma Community Development Project.

The improvements are as follows:

- a. Water Street and Turning Basin River Walk (\$7.7 million)
 - b. Downtown Streetscape Improvements (\$5.75 million)
 - c. Central Petaluma Specific Plan Implementation/Theatre District (\$7.4 million)
 - d. Parking Structure in CBD Project Area (\$2.1 million)
 - e. Railroad Depot (\$1.0 million)
 - f. Street Improvements (\$7.0 million)
 - g. River Trail (\$3.3 million)
 - h. Gateway Improvements (\$1.0 million)
 - i. Land Acquisition (Kenilworth -- \$4.0 million)
- Total\$39.25 million

Other than the Resolution, attachments #2 to #5, numbering 112 pages, are not included but are available at the City Clerk's office. In an effort to reduce paper copies, we have not included these in the packet, but want to reinforce the fact they are available to you and the public upon request.

3. ALTERNATIVES:

The Council may decline to approve the financing at this time, and the capital improvements could be financed at a later date, but at potentially higher interest rates, or on as a pay-as-you-go basis. If on a pay-as-you-go basis, the scope and timing of the improvements would be adversely affected.

4. **FINANCIAL IMPACTS:**

The Commission will be obligated to repay the principal of the bonds, plus interest at tax-exempt rates to be determined by a competitive bid process. The principal amount of bonds authorized to be issued will not exceed \$30,000,000. The Fiscal Consultant's draft report indicates that projected tax increment revenues will be sufficient to pay debt service on the proposed bond issue, based on an assumed Project Area assessed valuation growth rate of 2% per year.

5. **CONCLUSION:**

The issuance of bonds by the Commission to finance capital improvements within and in the vicinity of the Project Area will allow for these projects to be financed on a current basis at tax-exempt interest rates. The improvements are designed to promote the economic vitality of the Project Area and improve synergies between the Project Area and the Central Business District that support economic growth in the Project Area.

6. **OUTCOMES OR PERFORMANCE MEASUREMENTS THAT WILL IDENTIFY SUCCESS OR COMPLETION:**

The issuance of bonds by the Commission will depend on the results of the competitive bidding process. If a bid complying with the terms that will be established by the Commission in the Official Notice of Sale to bidders is received which produces a true interest cost on the bonds not to exceed 7.5% per annum, the Commission will be authorized to accept that bid. If any bid is accepted, it will be the bid that produces the lowest true interest cost to the Commission.

7. **RECOMMENDATION:**

Approve the issuance of bonds by the Commission in an amount not to exceed \$30,000,000 in tax allocation bonds for the purpose of financing certain public improvements.

g:/forms/2003 agenda bill

RESOLUTION AUTHORIZING THE ISSUANCE AND THE SALE OF NOT TO EXCEED \$30,000,000 PRINCIPAL AMOUNT OF PETALUMA COMMUNITY DEVELOPMENT COMMISSION PETALUMA COMMUNITY DEVELOPMENT PROJECT TAX ALLOCATION BONDS, SERIES 2003A; AUTHORIZING THE SALE OF SUCH BONDS ON CERTAIN TERMS AND CONDITIONS PURSUANT TO A COMPETITIVE SALE; APPROVING PREPARATION AND DISTRIBUTION OF THE OFFICIAL STATEMENT, AUTHORIZING CERTAIN OTHER OFFICIAL ACTION IN CONNECTION THERE WITH AND MAKING BENEFIT FINDINGS

WHEREAS, the Petaluma Community Development Commission (the "Commission") is a redevelopment agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law, being Section 33000 and following of the Health and Safety Code of the State of California (the "Law"), and the powers of the Commission include the power to issue bonds for any of its corporate purposes; and

WHEREAS, a redevelopment plan, known as the Redevelopment Plan for the Petaluma Community Development Project (the "Plan"), has been adopted and approved in accordance with the Law; and

WHEREAS, the Plan provides that the Commission is specifically authorized to provide for the financing and refinancing of certain public improvements consistent with the Plan for the Petaluma Community Development Project (the "Project"); and

WHEREAS, the Commission has previously issued its Petaluma Community Development Project Tax Allocation Bonds, Series 1992A pursuant to an indenture, dated as of January 1, 1992 (the "Indenture"); and

WHEREAS, the Commission has previously issued its Petaluma Community Development Project Tax Allocation Bonds, Series 2000A pursuant to the Indenture and a first supplemental indenture, dated as of June 1, 2000; and

WHEREAS, the Commission has previously issued its Petaluma Community Development Project Refunding Tax Allocation Bonds, Series 2001A pursuant to the Indenture and a second supplemental indenture, dated as of June 1, 2001; and

WHEREAS, the Indenture permits the issuance of Additional Bonds (as defined therein) pursuant to supplemental indentures; and

WHEREAS, the Commission has determined to issue not to exceed \$30,000,000 aggregate principal amount of its Petaluma Community Development Project Tax Allocation Bonds, Series 2003A (the "Series 2003A Bonds") for the purposes of (i) financing and refinancing the Project, (ii) funding a bond reserve account and (iii) paying the costs of issuing the Series 2003A Bonds; and

WHEREAS, in accordance with Section 33445 of the Law and for the reasons and

based on the information set forth in Exhibit A hereto and presented to this Commission at this meeting, this Commission has determined that the use of the proceeds of the Bonds to finance the Project, including the capital improvements described in Exhibit A, are of benefit to the project area for the Project (the "Project Area") or the immediate neighborhood in which such improvements will be located and no other reasonable means of financing such improvements are available to the Commission or otherwise, and the payment of funds for such improvements will assist in the elimination of one or more of the blighting conditions inside the Project Area; and

WHEREAS, there has been presented at this meeting a form of Third Supplemental Indenture providing for the issuance of the Series 2003A Bonds; and

WHEREAS, the Commission has determined that it is desirable sell the Series 2003A Bonds by a competitive sale;

NOW, THEREFORE, BE IT RESOLVED by the Petaluma Community Development Commission, as follows:

Section 1. The Commission will proceed with the issuance and sale of not to exceed \$30,000,000 aggregate principal amount of Petaluma Community Development Commission Petaluma Community Development Project Tax Allocation Bonds, Series 2003A in order to finance and refinance the Project. The Series 2003A Bonds are authorized to be executed by the manual or facsimile signature of the Chairperson of the Commission and the seal of the Commission is authorized to be affixed or imprinted thereon and attested by the manual or facsimile signature of the Secretary of the Commission. The seal of the Commission may be produced in facsimile form. The Series 2003A Bonds, when so executed, are authorized to be delivered to the Trustee for authentication.

Section 2. The form of Third Supplemental Indenture, dated as of September 1, 2003 (the "Third Supplemental Indenture"), presented at this meeting, is hereby approved, and the Chairperson or Vice Chairperson or the Executive Director and the Secretary are hereby authorized and directed, for and in the name of and on behalf of the Commission, to execute, acknowledge and deliver the Third Supplemental Indenture in substantially the form presented at this meeting with such changes therein as the officers executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof. The date, maturity date or dates, interest rate or rates, interest payment dates, terms of redemption and other terms of the Series 2003A Bonds shall be as provided in the Third Supplemental Indenture as finally executed.

Section 3. The financial advisor of the Commission, Kelling, Northcross & Nobriga (the "Financial Advisor"), will receive proposals for the purchase of the Series 2003A Bonds by competitive sale, and the Executive Director or the Treasurer or the designee of either are hereby authorized and directed to select the bidder submitting a bid to purchase the Series 2003A Bonds that provides the lowest true interest cost for the Series 2003A Bonds; provided that the true interest cost of the Series 2003A Bonds shall not be in excess of 7.5% per annum.

Section 4. The principal amount of Series 2003A Bonds to be sold shall be established by the Executive Director or the Treasurer, in consultation with the Financial Advisor, but shall not exceed \$30,000,000.

Section 5. The Commission authorizes the preparation of a notice of intention to sell the Series 2003A Bonds. Said notice shall be substantially in the form presented to this

meeting, with such changes, additions and completions therein as the Executive Director or Treasurer of the designee of either may approve with the advice of counsel. When the form of said notice of intention to sell have been approved by the Executive Director or the Treasurer or the designee or either, the Financial Advisor is authorized to arrange for publication of said notice in such financial publications as are desirable to notify potential bidders of the sale of the Series 2003A Bonds, the cost of printing of said notice to be borne by the Commission but reimbursable from Series 2003A Bond proceeds.

Section 6. The Commission authorizes an official statement and an official notice of sale relating to the Series 2003A Bonds to be prepared by Orrick, Herrington & Sutcliffe LLP, as disclosure counsel and bond counsel. Said official statement and official notice of sale shall be substantially in the form presented to this meeting, with such changes, additions and completions therein as the Executive Director or the Treasurer or the designee or either may approve with the advice of counsel. When the form of said official statement and official notice of sale have been approved by the Executive Director or the Treasurer or the designee or either, the Executive Director or the Treasurer or the designee of either may authorize the distribution of said official statement and official notice of sale, the cost of printing and mailing said official statement and official notice of sale to be borne by the Commission but reimbursable from Series 2003A Bond proceeds.

Section 7. The Chairman, the Executive Director, the Treasurer, the Secretary and the Commission General Counsel are each hereby authorized and directed in the name and on behalf of the Commission to take any and all steps and to issue and deliver any and all certificates, requisitions, agreements, notices, consents, and other documents, which they are any of them might deem necessary or appropriate in order to obtain credit ratings for the Series 2003A Bonds, to obtain bond insurance for the Series 2003A Bonds if such insurance is deemed to be in the financial interest of the Commission as determined by the Executive Director or the Treasurer or the designee of either in consultation with the Financial Advisor, and to consummate the lawful issuance, sale and delivery of said Series 2003A Bonds.

EXHIBIT A

Central Business District Projects Funded by Petaluma Community Development Project Bond Issue

Project 1: Water Street & Turning Basin River Walk (\$7.7 Million):

The project will involve constructing a bicycle/pedestrian walkway along the river in the historic downtown area. Water Street will be constructed so that utilities are undergrounded, parking is pulled back from the river's edge so that a pathway can be built. The pathway will allow people to walk down the river through the Petaluma Community Development ("PCD") project area.

Project 2: Downtown Streetscape Improvements (\$5.75 Million)

The project will involve installing historic-type streetlighting, benches, trees, bike racks, sidewalks, and street paving. This will occur as a first phase along Petaluma Blvd and Kentucky Street – typically called the historic downtown.

Project 3: Central Petaluma Specific Plan Implementation/Theater District (\$7.4 Million)

The project will involve the development of public infrastructure over a 5-block area resulting in a mixed use development project of \$75 million.

Project 4: Parking Structure in CBD Project Area (\$2.1 Million)

Funds will be contributed for the construction of a public/private parking garage in the Central Business District Area

Project 5: Railroad Depot (\$1.0 Million)

The project involves the rehab of 8,200 square feet of space outside and inside the three Depot buildings.

Main Benefits to PCD Project Area:

- **Traffic Reduction/Circulation Improvements:** The projects link PCD Project Area with the downtown CBD project area (People who normally drive downtown will be able to walk or ride their bikes. This will relieve traffic congestion in both the PCD project area and in the CBD downtown.)
- **Enhanced Economy:** With the project improvements, the businesses located on Water Street will be able to turn their businesses toward the river. Right now, Water Street is an ugly parking lot. The improvements will allow the businesses to "double load" with restaurants on Water Street and retail establishments facing Petaluma Blvd. This will create economic vitality that will benefit businesses located in the PCD project area since so many are interdependent in serving downtown businesses. The streetscape improvements in the downtown will attract more residents and visitors alike to a clean charming district.
- **Sales Leakage:** By creating a vibrant and attractive downtown, the City will prevent residents from leaving town to spend discretionary recreational funds. In this way, funds maintained downtown can be recirculated to other businesses in the PCD project area.

- Economic Interdependence of CBD and PCD project areas: Both areas have businesses that are interdependent. For example, services businesses renting office or commercial space in the PCD project area depend on successful thriving businesses in the downtown CBD for their livelihood. These include accountants, plumbers, attorneys, suppliers and insurance brokers.
- Jobs: The project will bring additional jobs due to the economic expansion resulting from the double loading of buildings and from longer store hours.
- Sense of Place: The project will enhance the downtown ambiance and create a vital center of civic and social life. The PCD Project Area is the gateway to this center and will thrive in support of the downtown. Many businesses that choose to locate in Petaluma, do so for its ambiance and sense of identity. This in turn gives them their corporate identity. This is particularly true among high-tech industries located in the PCD project area.
- The River is a Key Identifier: Work along the Petaluma River will enhance the River as an important key attribute that gives the rest of the City its identity. The PCD project area depends on a strong Petaluma identity.
- Depot is the Gateway: The Depot side is across the street from the PCD project area and serves as an important gateway to the historic downtown CBD. It will provide recreational space to the entire community—both the PCD and CBD through a conference center located in the freight building. The smaller depot building will likely house the Petaluma Visitors Bureau— which serves the entire community and is the main instrument for attracting visitors to the community. People will come to the Bureau for literature on the community as well as use the public restrooms.
- Tourism: Improvements along the River and downtown will attract residents from the PCD Project Area and other areas outside the CBD. They will also attract tourists who will spend money in both the PCD and CBD project areas and will chose to stay in hotels located in the PCD project area.