Midpeninsula Regional Open Space District

Memorandum

DATE: September 9, 2015

MEMO TO: MROSD Board of Directors

THROUGH: Stephen E. Abbors, General Manager

FROM: Kevin S. Woodhouse, Assistant General Manager

SUBJECT: Request for Subordination Relating to Proposed Refunding Bond Issue for the Las Pulgas Redevelopment Project Area (Menlo Park)

On August 4, 2015, the District received a formal request (attached) from the City of Menlo Park to approve the City's intent, acting as the Successor Agency to the Community Development Agency of the City of Menlo Park, to issue bonds to refund prior bond obligations and achieve debt-service savings. The District is a taxing entity for the above subject redevelopment project area, and under redevelopment law the redevelopment agency's Successor Agency must seek authorization from each taxing entity in order to move forward with such actions. In this case, the redevelopment agency's pass-through payments to the District had ended in 2004. However, by achieving debt-service savings, the Successor Agency expects to save approximately $145,000 annually or approximately $2 million over the remaining term of the bonds by 2031. This savings is expected to result in residual revenue available to taxing entities. Therefore, the District would commence receiving pass-through payments again, estimated at approximately $46,500 from 2016 to 2031, or an average of $2,700 annually.

According to redevelopment law, in order to disapprove the subordination request, a taxing entity must find, based on substantial evidence, that the Successor Agency will not be able to make its debt-service payments and the required pass-through payments (currently $0 for the District). The Successor Agency has indicated it can make its debt-service payments and have residual dollars to disperse to taxing entities.

Due to the net positive fiscal impact to the District from this refunding and that there does not appear to be substantial evidence that the Successor Agency wouldn't be able to make its new bond payments plus its pass-through payment obligations, *the General Manager plans to sign under his authority the Certificate of Approval requested by the Successor Agency. The District Controller and General Counsel have reviewed and support this course of action.*

If the Board has any concern with this course of action, please let the General Manager know immediately.

CITY OF MENLO PARK

August 4, 2015

Steve Abbors
General Manager
Mid-Peninsula Regional Open Space
330 Distel Circle
Los Altos, CA 94022

RE: Request for Subordination Relating to Proposed Refunding Bond Issue for the Las Pulgas Redevelopment Project Area Pursuant to Section 34177.5(c) of the California Health and Safety Code

Dear Mr. Abbors:

I am writing to you on behalf of the Successor Agency to the Community Development Agency of the City and of Menlo Park (the "Agency") pursuant to Section 34177.5(c) of the California Health and Safety Code (the "Code"). Under Section 34177.5(c) of the Code, the Agency may, with a taxing entity's approval (which must be granted except as provided below), subordinate amounts payable from property tax revenue (formerly tax increment revenue) of a redevelopment project area that the Agency is required to pay such taxing entity pursuant to Section 34183(a)(1) of the Code (the "Pass-through Payments") to bonds or other indebtedness issued or incurred by the Agency pursuant to Section 34177.5(a) of the Code for the same project area. At this time, the Agency is expecting to issue one or more series of bonds by December 31, 2015 (the "2015 Bonds") the debt service on which will be payable from property tax revenue derived from the Las Pulgas Community Development Project Area (the "Project Area"). The reason for issuing bonds is to refund prior obligations of the Agency in order to achieve debt service savings, as allowed by Section 34177.5(a)(1) of the Code. The savings analysis indicates that refunding of the bonds may save approximately $145,000 annually, or over $2 million over the remaining term of the bonds in 2031. Such savings may fluctuate with market conditions. On a net present value basis the savings could run between $820,000 and $1.6 million.

By this letter, the Agency requests that the Mid-Peninsula Regional Open Space (the "Taxing Entity") agree to the subordination of Pass-through Payments that the Agency is required to pay the Taxing Entity in connection with the Project Area to the payment of debt service on the 2015 Bonds. The obligation of the Agency to make the Pass-Through Payment is set forth in the Agreement dated November 12, 1991, between the Taxing Entity and the Community Development Agency of the City of Menlo Park, as succeeded by the Agency. Since the Taxing Entity's pass through payments are already subordinate to the 2006 Bonds that will be refunded, the savings to be experienced by issuing the 2015 Bonds strengthens the ability of the Agency to meet its pass through payments. In addition, the additional savings will benefit your Taxing

Entity by increasing the amount of residual revenue that is available. Subordination of your pass through payments also allows the Agency to get a better bond rating and lowers the interest rate on the transaction.

Enclosed for your review, pursuant to Section 34177.5(c)(2) of the Code, is a tax increment revenue projection summary for the Project Area, which includes a debt service coverage analysis showing the maximum debt service for the 2015 Bonds prepared by the Agency's fiscal consultant for the 2015 Bonds, Fraser & Associates (the "Fiscal Consultant"), and its financial advisor for the 2015 Bonds, Public Financial Management, Inc. (the "Financial Advisor"). The Fiscal Consultant's and Financial Advisor's analysis shows that the Agency can reasonably expect to have sufficient funds available to pay both the payments that are expected to be due for the Bonds and all of the Agency's Pass-through Payments owed to the various affected taxing entities for the Project Area (shown under the column Negotiated Tax Sharing). As shown on the table, the Agency is expected have almost $3 million remaining after paying both debt service on the 2015 Bonds and meeting all of its pass through obligations. In the event that the Agency does not have sufficient funds to make the required Pass-through Payments in a given year, the Agency's obligation to make such payments shall continue and shall be paid for from the first available property tax revenues of the Agency not pledged to the payment of debt service on the 2015 Bonds.

For the benefit of the Agency's records, please complete the enclosed Certificate of Approval and return it in the self-addressed envelope no later than September 18, 2015, as the Authority is planning on selling the 2015 Bonds soon thereafter.

Please note that, in accordance with Section 34177.5(c)(e)(3) of the Code, if the Taxing Entity does not respond to the requested subordination within forty-five (45) days of this letter, the subordination will be automatically deemed approved by the Taxing Entity and such approval shall be final and conclusive. Furthermore, to disapprove this subordination, the Taxing Entity must find, based upon substantial evidence, that the Agency will not be able to pay the payments due on the 2015 Bonds and the Pass-through Payments that it is required to pay the Taxing Entity.

Thank you in advance for your cooperation in this matter. If you have any questions regarding this matter, please do not hesitate to call the undersigned at 650-330-6615.

Sincerely,

Clay Curtin
Assistant to the City Manager

Enclosures

cc: Stephen Melikian
Donald Fraser
Robert Gamble

CERTIFICATE OF APPROVAL
OF THE
MID-PENINSULA REGIONAL OPEN SPACE

The undersigned, ______________________ of the Mid-Peninsula Regional Open Space (the "District") hereby certifies as follows:

1. That the undersigned is the duly appointed ____________________ of the District and has the full power and authority to execute and deliver this Certificate.

2. That the undersigned has read and is familiar with that certain Fiscal Agreement between the District and the Community Development Agency of the City of Menlo Park, dated as of November 12, 1991 (the "Agreement").

3. That, as provided in Section 2.4 of the Agreement, the Successor Agency to the Community Development Agency of the City of Menlo Park (the "Agency") has requested that the District acknowledge the subordination of its right to receive payments under the Agreement to the pledge of certain Tax Increment Revenues (as defined in the Agreement) to the payment of the Agency's 2015 Series A Tax Allocation Refunding Bonds (Las Pulgas Community Development Project Area) and 2015 Series B Taxable Tax Allocation Refunding Bonds (Las Pulgas Community Development Project Area) to be issued in the aggregate principal amount of not to exceed $75,000,000, including payments with respect to any related agreements such as credit enhancement instruments and similar arrangements (the "Bonds"), and has demonstrated to the reasonable satisfaction of the District its ability to make payments due to the District under the terms of the Agreement after the issuance of the Bonds.

4. That, pursuant to the Agreement, the Agency has provided timely notice of the issuance of the Bonds.

Dated: ______________

MID-PENINSULA REGIONAL OPEN SPACE

By: ______________________________
Name: ____________________________
Title: _____________________________

Table
Menlo Park Successor Agency
Las Pulgas Project Area

PROJECTION OF INCREMENTAL TAX REVENUE
(000's Omitted)

Fiscal Year	Real (1) Property	New (2) Development	Other (3) Property	Total Value	Value Over Base Of $97,394	Tax (4) Increment	Unitary (5) Revenue	Total Tax Increment	Property Tax Admin. Fees (6)	Tax Revenue	Estimated Bond Debt Serv.	AB 1290 Tax (7) Sharing	Negotiated Tax (8) Sharing	Net Tax Increment
2014 - 2015	$1,110,572	N/A	$119,643	$1,230,214	$1,132,821	$11,328	$88	$11,416	$120	$11,297	$5,566	$45	$2,735	2,951
2015 - 2016	1,132,761	0	119,643	1,252,404	1,155,010	11,550	88	11,638	122	11,516	5,429	53	2,795	3,239
2016 - 2017	1,155,416	0	119,643	1,275,059	1,177,665	11,777	88	11,865	124	11,740	5,754	61	2,858	3,067
2017 - 2018	1,178,524	0	119,643	1,298,167	1,200,774	12,008	88	12,096	127	11,969	5,701	70	2,922	3,276
2018 - 2019	1,202,095	0	119,643	1,321,738	1,224,344	12,243	88	12,331	129	12,202	5,641	78	2,988	3,495
2019 - 2020	1,226,137	0	119,643	1,345,780	1,248,386	12,484	88	12,572	132	12,440	5,601	87	3,055	3,697
2020 - 2021	1,250,659	0	119,643	1,370,302	1,272,909	12,729	88	12,817	134	12,683	5,530	96	3,174	3,883
2021 - 2022	1,275,673	0	119,643	1,395,316	1,297,922	12,979	88	13,067	137	12,930	5,464	105	3,246	4,115
2022 - 2023	1,301,186	0	119,643	1,420,829	1,323,435	13,234	88	13,322	139	13,183	5,367	115	4,211	3,490
2023 - 2024	1,327,210	0	119,643	1,446,853	1,349,459	13,495	88	13,583	142	13,440	5,297	124	4,304	3,715
2024 - 2025	1,353,754	0	119,643	1,473,397	1,376,003	13,760	88	13,848	145	13,703	5,215	134	4,400	3,954
2025 - 2026	1,380,829	0	119,643	1,500,472	1,403,078	14,031	88	14,119	148	13,971	5,148	144	4,499	4,180
2026 - 2027	1,408,446	0	119,643	1,528,089	1,430,695	14,307	88	14,395	151	14,244	5,055	154	4,600	4,436
2027 - 2028	1,436,615	0	119,643	1,556,257	1,458,864	14,589	88	14,677	154	14,523	4,971	165	4,704	4,684
2028 - 2029	1,465,347	0	119,643	1,584,990	1,487,596	14,876	88	14,964	157	14,807	4,890	175	4,810	4,932
2029 - 2030	1,494,654	0	119,643	1,614,297	1,516,903	15,169	88	15,257	160	15,097	4,793	186	4,920	5,198
2030 - 2031	1,524,547	0	119,643	1,644,190	1,546,796	15,468	88	15,556	163	15,393		197	5,054	10,142
2031 - 2032	1,555,038	0	119,643	1,674,681	1,577,287	15,773	88	15,861	166	15,695		208	5,160	10,327
Cumulative Tax Increment						241,799	1,584	243,384	2,548	240,836	85,421	2,198	70,435	82,782

(1) Prior Year Real Property increased by 1.998 percent in 2015-16 and then by 2 percent per year.
(2) No New Development included in analysis.
(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(4) Based on the application of 1% tax rates to incremental taxable value.
(5) County estimate for 2014-15.
(6) Per SB 2557, reflects Project Area share of County's property tax administrative costs.
(7) AB 1290 payments to those taxing entities that don't have agreements.
(8) Payments per tax sharing agreements with certain taxing entities, including County. County payment estimated to increase to full share in 2021-22 per provisions of the agreement.