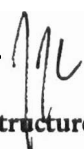


TO: Redevelopment Agency
FROM: James L. App, City Manager 
SUBJECT: Woodland Plaza II ~ Infrastructure Commitments
DATE: February 2, 1999

NEEDS: For the Agency Board to consider issuing tax allocation bonds as a means to finance infrastructure commitments of Woodland Plaza II.

- FACTS:**
1. The Redevelopment Agency and Woodland Plaza II (WPPII) have an agreement (Owner Participation Agreement - OPA) which identifies infrastructure commitments of the WPPII development.
 2. Two of the more significant developer commitments, which are preconditions to the development of WPPII Phase 2-B, are a \$2,000,000 contribution to the widening of Niblick Bridge and \$150,000 for South River Road [Exhibit A].
 3. The OPA provides for the establishment of a Mello Roos Assessment District to finance these commitments. The tax increment revenues generated by the WPPII development would help pay for the assessments.
 4. Halferty Development Company (HDC), acting on behalf of WPPII, cites the high cost of forming a Mello Roos District as a disincentive, and asserts it would result in a competitive disadvantage as against other area regional commercial centers.
 5. HDC therefore has requested that the Redevelopment Agency issue Tax Allocation Bonds to finance the infrastructure improvements.
 6. HDC proposed that, in return for the Agency's issuance of Tax Allocation Bonds, all property tax increment generated from the project would be retained by the Agency.
 7. Given current and projected WPPII tax increment revenues, accumulated tax increment cash on deposit, and financial market conditions, immediate issuance of tax allocation bonds would generate \$1,765,000 (towards the \$2,150,000 commitment) [Exhibit B].
 8. The \$385,000 shortfall could be advanced from Measure D funds to be "repaid" from future WPPII tax increment revenues.
 9. Total tax increment revenues which will be generated by WPPII are estimated at \$5,189,000, while total debt repayment on the tax allocation bonds is estimated at \$3,356,000. Thus, the Agency could experience a net benefit of \$1,833,000.
 10. The Redevelopment Agency's Fiscal Committee recommends approval of HDC's request/proposal.

**ANALYSIS &
CONCLUSION:**

HDC's proposal will provide funds to complete the Niblick Bridge widening and improve South River Road. In addition, it could result in increased uncommitted revenue to the Redevelopment Agency (approximately \$1,833,000). And, it will lift the Mello Roos condition imposed on WPII parcels, potentially encouraging additional development on the subject property.

These results are all beneficial to the Redevelopment Agency and the City of Paso Robles. Needed infrastructure will be built, the Agency could realize a new income stream from which it can undertake other beneficial projects, and further development of Woodland Plaza II may be accelerated. HDC's request/proposal, if approved, will be formalized in a Third Implementation Agreement to the Owner Participation Agreement. The specific 'deal points' for inclusion in the agreement are [Exhibits C & D]:

- In lieu of forming the Mello-Roos District (District), the Redevelopment Agency would issue tax allocation bonds to fund the \$2 million contribution for the expansion of Niblick Bridge and \$150,000 for the improvement of South River Road, both as required under the Woodland Plaza II Owner Participation Agreement (OPA).
- Since existing estimated tax increment revenues generated by the Woodland Plaza II project will not support a tax allocation bond issue sufficient to undertake both projects, WPII agrees that all tax increment revenues, both past and future, shall be retained by the Redevelopment Agency without any restriction and/or conditions on their uses.
- The OPA requirement to establish a Mello-Roos District to fund various infrastructure improvements provided by the developer would be eliminated.
- All other provisions of the OPA, and amendments thereto, shall remain in full force and effect, including the developer's obligations to provide all other infrastructure improvements identified in the OPA except the Niblick Bridge expansion and improvements to South River Road.
- By agreeing to the issuance of Tax Allocation Bonds and retention of all tax increment revenues by the Redevelopment Agency, the developer shall also be deemed to satisfy the road improvement requirements addressed in Conditions No. 63 & 64 of Planning Commission Resolution No. 98-042 with regards to the Woodland Plaza III (Lucky/Sav-On) project.
- The City agrees to expand the Niblick Bridge as soon as reasonably feasible.

POLICY

REFERENCE: Woodland Plaza II Owner Participation Agreement.

FISCAL

IMPACT: Receipt of \$2,150,000 WPII contribution for Niblick Bridge widening & South River Road improvements, plus \$1,833,000 uncommitted tax increment income.

OPTIONS: 1. Approve Request for Agency to Issue Tax Allocation Bonds and Direct Preparation of a Third Implementation Agreement with Woodland Plaza II Incorporating the 'Deal Points' Summarized Herein.

2. Amend, Modify or Reject the Option Above.

Exhibit "A"

ATTACHMENT NO. 8

MELLO-ROOS IMPROVEMENTS

WOODLAND PLAZA II MELLO-ROOS IMPROVEMENTS PORTION OF PUBLIC INFRASTRUCTURE IMPROVEMENTS

<u>LINE ITEM DESCRIPTION</u>	<u>TOTAL</u>	<u>PHASE I</u>	<u>PHASE II</u>	<u>PHASE III</u>
REGIONAL/COMMUNITY INFRASTRUCTURE COSTS				
* Bridge Expansion Cost	2,000,000		2,000,000	
Regional/Community Off-Site Costs Fronting Project				
Community Bike Path	20,000			20,000
5' Protective Screen Wall for Community Bike Path	90,275			90,275
Contingency @ 25%	12,569			12,569
Engineering/Staking @ 15%	7,541			7,541
* S. River Rd., Woodland Plaza I to Creston Rd.	150,000		150,000	
Public Open Space Lot, Riparian Mitigation/Enhancements	75,000			75,000
OTHER PUBLIC INFRASTRUCTURE IMPROVEMENT COSTS				
Community Retaining Walls	50,000	50,000		
Community Bike Lane	7,000		7,000	
Cut/Fill (10% Estimated Allocation of Total)	85,000	25,000	15,000	45,000
Sewer Manhole	2,500	2,500		
Public Street Improvements				
Curb Return and Ramp	3,200	3,200		
Signs	400	400		
Paint Striping	584	584		
Perimeter Landscape/Irrigation	50,878	35,878		15,000
Clear and Grub	500	500		
Cut and Fill, Balanced	10,000			10,000
Sawcut Asphalt Pavement	1,800	1,800		
Traffic Signal	100,000			100,000
Combined Utility Trench	33,600	33,600		
Contingency @ 25%	86,366	38,366	5,500	42,500
Engineering/Staking @ 15%	51,819	23,019	3,300	25,500
Construction Management Overhead	102,890	27,890	45,000	30,000
Cultural Resources Mitigation	100,000		100,000	
City Capital Improvement Fees (1)	579,066	55,000	264,601	259,465
General Contingency	12,144	4,144	4,000	4,000
MELLO-ROOS PORTION OF INFRASTRUCTURE IMPROVEMENTS (1)	3,573,132	301,881	2,694,401	676,850

FOOTNOTES SUPPORTING SCHEDULE

- (1) Public Improvements of an equal amount to be funded in lieu of fees shall be designated by the City.
- (2) These totals represent net construction proceeds from the Mello-Roos bond issuance and will be increased to reflect costs relating to bond issuance costs, reserves, capitalized interest (18 months) and negative arbitrage costs included in the bond issue.

**Owner Participation Agreement
July 5, 1993**

Implementation Agreement #2

December 28, 1995

Agreements

Exhibit "A-1"

Section 1. Purpose of this Agreement

The purpose of this Second Implementation Agreement is to effectuate and implement the OPA by making certain changes necessary to reflect current changes in the market conditions for retail tenants and the further planning and decisions of the parties hereto as a result of the Settlement Agreement.

Section 2. Public Infrastructure Improvements

The following provisions shall be added at the end of the first paragraph of Section 204:

* "One of the Mello-Roos Improvements is the expansion of the Niblick Bridge, for which Developer's fees shall be TWO MILLION DOLLARS (\$2,000,000) (as shown on Attachment No. 8) (the "Niblick Bridge Fees"), to be paid in conjunction with the development and construction of Phase 2 of the Retail Center. The parties hereto agree that, as a matter of clarification, and notwithstanding any other provision of the OPA to the contrary, Developer shall be required to pay (a) the full amount of the Niblick Bridge Fees of \$2,000,000, and (b) all sums designated for Phase II on Attachment No. 8 (Mello-Roos Improvements) as a condition to obtaining permits for the construction of Phase 2B of the Retail Center (in addition to any other fees that may be required in connection therewith) in the event that Mello-Roos bonds or other financing of such amounts is not arranged."

Section 3. Certifications Regarding Wal-Mart and Major Retail Anchor Stores

Section 207 is hereby revised to read as follows:

"Within the times established therefor in the Schedule of Performance (Attachment No. 4), the Participant shall submit to the Agency a certification, signed by a responsible officer or general partner of the Participant, certifying that (1) Wal-Mart Stores, Inc. ("Wal-Mart") has purchased the Phase 1A portion of the Site (the "Wal-Mart Parcel") (the "Wal-Mart Certification"); (2) the Participant has obtained executed business letters from one of the following :

- (i) not less than two (2) major retail stores of not less than 30,000 square feet each; or
- (ii) two (2) Major Retail Anchor Stores so long as one is at least 20,000 square feet and the other is 40,000 square feet, so that the total aggregate square feet for the Major Retail Anchor Stores is at least 60,000 square feet; or

MEMORANDUM

November 2, 1998

TO: Jim App, City Manager

FROM: Mike Compton, Director of Administrative Services

SUBJECT: 1999 Tax Allocation Bonds - Woodland Plaza II

Halferty Development has requested that the Redevelopment Agency consider the issuance of a tax allocation bond issue rather than establish a Mello Roos district as provided for by the owner participation agreement (OPA). The assessment district was intended to provide the project's \$2 million contribution to the expansion of Niblick Bridge plus other various improvements including \$150,000 for South River Road. It is now Halferty Development's contention that the establishment of a Mello Roos district would result in a competitive disadvantage with the Target Center.

Halferty Development has further proposed that in return for the Agency undertaking a tax allocation bond issue that all tax increment generated from the designated project area parcels would be returned to the Agency forevermore.

Based upon the current year's actual tax increment revenues and future projections for the Woodland Plaza II (WP II), the Agency could issue \$1.625 par value in tax allocation bonds and realize net proceeds of \$1.4 million. The accumulated WP II set aside amount through fiscal year 1999 is estimated at \$365,000. Thus, upon the issuance of tax allocation bonds, \$1.765 would be immediately available to satisfy the \$2.150 million obligation.

The estimated short fall, \$385,000 (\$2.150 million less \$1.765 million), would be covered from the future growth in assessed valuation. It is estimated that the tax increment revenues generated from the subject properties would generate \$5.189 million. The total annual debt service requirements for the tax allocation bonds over this same time period is estimated at \$3.356 million providing a net benefit to the City of \$1.833 million.

However, in the short term, the Agency may be required to postpone repayment of the negative cash promissory with the General Fund because there would not be sufficient resources available to provide both the \$385,000 for Niblick Bridge and meet all existing debt obligations. If the tax allocation bonds were issued at the back end (near the end of the bridge construction project) rather than at the front end, it is estimated that an additional \$290,000 would be available from WP II set aside funds. Doing so may reduce the short fall to \$95,000. However, the risk is that the market conditions in two years may not be as favorable as those that exist today.

Exhibit "B"

Another option would be to fund the shortfall, whether it is \$385,000 or \$95,000 from Measure "D" funds. Original debt service projects were based upon interest rates of 6% for the first series (netting \$7.6 million) and 6.5% on the second series (netting \$24.1 million). Given current market conditions, it is possible that interest rates could be as low as 5.25%. However, taking a conservative approach, with rates at 5.5% and 5.75%, the City would realize additional net bond proceeds of \$2.8 million, \$400,000 of which would be realized in July, 1999. If the second series interest rate was bumped up to 6%, the City would still realize additional net bond process of \$2.0 million.

Attached is a draft debt service schedule for a new tax allocation bond issue of \$1.625 million as well as tax increment revenue projections for Woodland Plaza II including financial projections regarding annual debt service, operating budget net tax increment.

CITY OF EL PASO DE ROBLES

"The Pass of the Oaks"

COPY



December 28, 1998

Mr. James Halferty
 Halferty Development Company
 199 S. Los Robles Ave., Suite 880
 Pasadena, Ca. 91101-2459

Dear Mr. Halferty:

Woodland Plaza II ~ Infrastructure Commitments

Your proposal suggesting the Redevelopment Agency issue tax allocation bonds (instead of creating a Mello-Roos financing district) to fund infrastructure commitments of the Woodland Plaza II development has been reviewed. It will be formally considered by the Redevelopment Agency upon written confirmation of the proposal's primary 'deal points' (summarized below):

- In lieu of the Mello-Roos District (District), the Redevelopment Agency would issue tax allocation bonds to fund the \$2 million contribution for the expansion of Niblick Bridge and \$150,000 for the improvement of South River Road, both as required under the Woodland Plaza II Owner Participation Agreement (OPA).
- Since existing estimated tax increment revenues generated by the Woodland Plaza II project will not support a tax allocation bond issue sufficient to undertake both projects noted above, the developer agrees that all tax increment revenues, both past and future, shall be retained by the Redevelopment Agency without any restriction and/or conditions on their uses.
- The OPA requirement to establish a District to fund various infrastructure improvements provided by the developer would be eliminated.
- All other provisions of the OPA, and amendments thereto, shall remain in full force and effect, including the developer's obligations to provide all other infrastructure improvements identified in the OPA except the Niblick Bridge expansion and improvements to South River Road.
- By agreeing to the issuance of Tax Allocation Bonds and retention of all tax increment revenues by the Redevelopment Agency, the developer shall also be deemed to satisfy the road improvement requirements addressed in Conditions No. 63 & 64 of Planning Commission Resolution No. 98-042 with regards to the Woodland Plaza III (Lucky/Sav-On) project.

Please confirm these points in writing at your earliest convenience.

Sincerely,

James L. App
 Executive Director
 P.R. Redevelopment Agency

HALFERTY DEVELOPMENT COMPANY, LLC

EXHIBIT D

January 11, 1999

Via Facsimile and Mail

Mr. James L. App
Executive Director
Paso Robles Redevelopment
Agency
City of Paso Robles
1000 Spring Street
Paso Robles, CA 93446

**Re: Infrastructure Commitments
Woodland Plaza II**

Dear Jim:

Thank you very much for your letter of December 28 summarizing our discussions and meetings over the past few months.

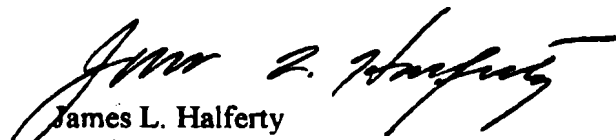
Woodland Plaza II is willing to accept this language with the following additions:

1. Woodland Plaza II reserves the right to review the specific language changing the O.P.A. (presumably in a Third Implementation Agreement) in the near future so that documentation will be complete.
2. The City is agreeing to install the Niblick Bridge expansion as soon as reasonably possible.

Thank you very much for your continuing cooperation. Please feel free to contact me directly should you have any questions.

Very truly yours,

HALFERTY DEVELOPMENT COMPANY


James L. Halferty
President

JLH/dg