AGENDA ITEM NO. 11-F

MONTEREY PENINSULA REGIONAL PARK DISTRICT
BOARD OF DIRECTORS MEETING

DATE:	**February 7, 2018**
TO:	**Board of Directors**
FROM:	**Kelly McCullough, Finance Manager**
REVIEWED BY:	**Rafael Payan, General Manager**
SUBJECT:	**Consider Approval of the Subordination Agreement with the Marina Successor Agency**

RECOMMENDED ACTION
District Counsel is reviewing statute on this matter and will make a recommendation to the Board at this meeting for Board consideration and action.

FISCAL IMPACT:
Not applicable at this time.

FUNDING SOURCE:
Not applicable at this time.

FUNDING BALANCE:
Not applicable at this time.

DISCUSSION:
This District received the attached letter from the City of Marina (**ATTACHMENT 1**) on January 24, 2018. The letter requests that MPRPD subordinate its right to receive certain statutory payments from the Successor Agency's RPTTF revenue, to the Successor Agency's debt service obligations on Bonds it intends to issue.

MPRPD is required to approve or disapprove the request for subordination with respect to the Bonds within forty-five (45) days after receipt of the letter.

Staff recommends that District Counsel make a recommendation for the Boards consideration and action.

ATTACHMENTS:
1. Letter from City of Marina

CITY OF MARINA
211 Hillcrest Avenue
Marina, CA 93933
831-884-1278; FAX 831-384-9148
www.ci.marina.ca.us

January 22, 2018

Monterey Peninsula Regional Park District
60 Garden Court, Ste 325
Monterey, CA 93940

Ladies and Gentlemen:

The Successor Agency to the Marina Redevelopment Agency (the "Successor Agency"), as allowed under Health and Safety Code Section 34177.5(a)(4), intends to issue 2018 Tax Allocation Refunding Bonds (the "Bonds") in accordance with the requirements of the Disposition and Development Agreement with Marina Community Partners originally entered into in 2006 as amended by the Second Implementation Agreement entered into in 2008 ("DDA") providing for the development of what is referred to as the Dunes Development. The DDA is an enforceable obligation listed annually on the Successor Agency's Recognized Obligation Payment Schedule ("ROPS"). The DDA, along with a Tax Increment Financing Plan and Agreement entered into in 2008, pledged to Marina Community Partners ('MPRPD") the tax increment generated by the Dunes development as well as additional low and moderate income housing fund tax increment from the Marina Heights development project to pay for infrastructure and affordable housing costs associated with the Dunes project. The Second Implementation Agreement as well as the Tax Increment Financing Plan and Agreement provides that MPRPD may from time to time request that the Former Redevelopment Agency issue bonds secured by the pledge of tax increment in the DDA and the Tax Increment Financing Plan. MPRPD has made such a request and the Successor Agency and the Oversight Board to the Successor Agency have approved the issuance of the bonds.

The Successor Agency is proposing to issue bonds in an amount not to exceed $17,500,000 in two series of bonds. The bonds would have a 20-year term. The actual amount of bonds to be issued will depend upon interest rates at the time of issuance and whether the bonds are tax exempt or taxable bonds. The debt service on the bonds will be paid solely from the funds that are pledged to MCP pursuant to the DDA and that are currently paid to MCP pursuant to the ROPS process. The proceeds of the bonds will be paid to MCP to reimburse MCP for costs associated with the Dunes development project.

By this letter we request that the Monterey Peninsula Regional Park District (the "MPRPD") subordinate its right to receive certain statutory payments from the Successor Agency's RPTTF revenue, to the Successor Agency's debt service obligations on the Bonds.

Statutory Pass-Through Payments

Pursuant to Section 33492.71 of the California Health and Safety Code (the "Statute"), the MPRPD is entitled to receive statutory pass-through payments (the "Statutory Payments") from RPTTF revenue received by the Successor Agency from the Former Fort Ord Redevelopment Project Area (the "Project Area").

Health and Safety Code Section 33492.72 provides for the subordination of the MPRPD's right to receive the Statutory Payments to the Successor Agency's debt service obligation under the Bonds, upon a showing by the Successor Agency that there will be sufficient revenue to pay the debt service on the Bonds affecting the Project Area, as well as meet the Successor Agency's other obligations, including making the Statutory Payments to the MPRPD pursuant to Health and Safety Code Section 34183(a)(1). Accordingly, attached as Exhibit A to this letter, is a debt coverage table from the Successor Agency's fiscal consultant (the "Debt Coverage Table") which shows that the Successor Agency will have sufficient revenue to repay the Bonds associated with the Project Areas without demand being made on the Statutory Payments due the MPRPD under Section 34183(a)(1).

Under the terms of Health and Safety Code Section 33492.72, the MPRPD is required to approve or disapprove the request for subordination with respect to the **Bonds within forty-five (45) days after receipt of this letter**. Under Section 33492.72(c), the MPRPD may disapprove the request only if it finds, based upon substantial evidence, that the Successor Agency will not be able to pay debt service on the Bonds, as well as make the Statutory Payments to the MPRPD under Section 34183(a)(1). The attached Debt Coverage Table demonstrates the Successor Agency's ability to make such payments. If the MPRPD does not act within forty-five (45) days after receipt of this request, the request for subordination of the Statutory Payments with respect to the refunding Bonds associated with the Project Areas shall be deemed approved, all in accordance with Section 33492.72.

Sincerely,

Layne Long
City Manager
City of Marina

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SUBORDINATION CERTIFICATE

CERTIFICATE OF THE MONTEREY PENINSULA REGIONAL PARK DISTRICT IMPLEMENTING SUBORDINATION OF PAYMENTS FROM THE SUCCESSOR AGENCY TO THE MARINA REDEVELOPMENT AGENCY

By its execution of this Certificate below, the Monterey Peninsula Regional Park District, (the "MPRPD"), hereby certifies and agrees as follows:

1. Pursuant to Section33492.71 of the California Health and Safety Code, the MPRPD is entitled to receive statutory pass-through payments (the "Statutory Payments") from the tax increment revenue received by the Successor Agency from the Former Fort Ord Redevelopment Project Area.

2. The Successor Agency has requested that the MPRPD approve a subordination of its right to receive Statutory Payments, to the Successor Agency's pledge of RPTTF funds for the repayment of Bonds.

3. In connection with such request, the Successor Agency has submitted evidence (including a Debt Coverage Table) relating to the Successor Agency's anticipated ability to repay the Bonds without demand being made on the statutory and contractual pass-through payments, due to the MPRPD.

4. The evidence submitted by the Successor Agency demonstrates to the MPRPD's satisfaction that the RPTTF Revenue needed to make the statutory and contractual pass-through payments due to the MPRPD, will be used in the cash-flow for the Bonds only for additional security (debt service coverage) and that the RPTTF revenue, together with other pledged funds, will be adequate, over the term of the Bonds, to pay 100% of the actual debt service thereon, to pay the Successor Agency's pass-through obligations, and to pay all other enforceable obligations of the Successor Agency with respect to the Redevelopment Project Area, whether statutory or contractual, which are or would be superior to the Successor Agency's pass-through obligations.

7. The MPRPD hereby approves the Successor Agency's request and agrees to the subordination of the District's statutory pass-through payments, to the pledge of RPTTF for the repayment of the Bonds.

Dated: ____________________

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Attachment A
Projection of Revenues Available to Fully Satisfy Subordinated Pass Through Obligations
City of Marina Successor Agency
$Thousands

December 18, 2017

Fiscal Year	A. Assessed Valuation of the Dunes Project [2]	B. Gross Property Tax Revenues: Dunes Project @1% of AV	C. Less: County Admin Expense @1.55%	D. Sea Haven Housing Revenues[3]	E. Projected Site-Specific Revenue Available for Debt Service and Pass Throughs	F. Less: Estimated Debt Service on 2017 Bonds (Series A and B)[4]	G. Balance Available for Pass Throughs	H. Projected Site Specific Pass Through Obligations: Dunes Project	I. Excess Available Above Pass Through Requirements
2017-18	288,998	2,890	(45)	67	2,912	(359)	2,553	1,600	953
2018-19 (1)	326,835	3,268	(51)	71	3,288	(1,133)	2,156	1,815	341
2019-20	326,835	3,268	(51)	71	3,288	(1,135)	2,154	1,815	339
2020-21	326,835	3,268	(51)	71	3,288	(1,136)	2,152	1,410 (5)	742
2021-22	326,835	3,268	(51)	71	3,288	(1,132)	2,156	1,410	746
2022-23	326,835	3,268	(51)	71	3,288	(1,137)	2,151	1,410	741
2023-24	326,835	3,268	(51)	71	3,288	(1,131)	2,158	1,410	748
2024-25	326,835	3,268	(51)	71	3,288	(1,133)	2,156	1,410	746
2025-26	326,835	3,268	(51)	71	3,288	(1,133)	2,155	1,410	745
2026-27	326,835	3,268	(51)	71	3,288	(1,132)	2,156	1,410	746
2027-28	326,835	3,268	(51)	71	3,288	(1,135)	2,154	1,410	744
2028-29	326,835	3,268	(51)	71	3,288	(1,135)	2,153	1,410	743
2029-30	326,835	3,268	(51)	71	3,288	(1,133)	2,155	1,410	745
2030-31	326,835	3,268	(51)	71	3,288	(1,135)	2,154	1,410	743
2031-32	326,835	3,268	(51)	71	3,288	(1,134)	2,154	1,410	744
2032-33	326,835	3,268	(51)	71	3,288	(1,131)	2,157	1,410	747
2033-34	326,835	3,268	(51)	71	3,288	(1,136)	2,152	1,410	742
2034-35	326,835	3,268	(51)	71	3,288	(1,128)	2,160	1,410	750
2035-36	326,835	3,268	(51)	71	3,288	(1,133)	2,155	1,410	745
2036-37	326,835	3,268	(51)	71	3,288	(1,135)	2,153	1,410	743
2037-38	326,835	3,268	(51)	71	3,288	(1,134)	2,154	1,410	744

Notes:

(1) Increase in revenues in 18-19 is due to AV added from 2017 construction completions and recorded home sales totaling $43.6 M for Dunes Project and $2 M for Sea Haven, as offset for an estimated $5.7 million reduction in AV as a result of assessment appeals.

(2) For purposes of the projection, County reported FY 2017-18 assessed values are assumed to remain constant, with the exception of new construction completed in 2017 per note 1.

(3) Includes former low and moderate income housing funds from the Sea Haven project.

(4) Payment of principal and interest on the proposed 2017 Bonds is secured by a pledge of certain site-specific property tax revenues only. Estimated debt service provided by Stifel Nicholaus & Company, November 14, 2017.

(5) Decrease in pass throughs in 2020-21 is due to sunset of the Fort Ord Reuse Authority (FORA) on June 30, 2020 pursuant to Section 67700 of the California Government Code and redistribution of pass through amounts currently paid to FORA.

Actual taxable values and RPTTF revenues may vary from the amounts in this projection.
Prepared by Keyser Marston Associates, Inc.
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