

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable Mayor and Members of the City Council

FROM: Hugh R. Riley, Assistant City Manager 
Marshall Linn, Urban Futures Inc.

DATE: March 25, 2011 (Meeting of April 6, 2011)

SUBJECT: Consider a Resolution of the City Council of the City of Moorpark, Authorizing the Issuance of Refunding Revenue Bonds for the Purpose of Refinancing Outstanding City of Moorpark Mobile Home Park Revenue Bonds (Villa Del Arroyo), Authorizing the Issuance of Additional Bonds and Approving Certain Documents and Authorizing the Execution and Delivery of an Indenture of Trust and Loan Agreement and Authorizing the Execution and Delivery of and Approving other Related Documents and Approving Other Related Actions in Connection Therewith

BACKGROUND:

The City issued its Mobile Home Park Revenue Bonds, Series 2000A and 2000B (the "2000 Bonds"), in May of 2000 for the purpose of funding a loan to Augusta Homes (the "Borrower"), a California non-profit public benefit corporation, for acquisition of the Villa Del Arroyo Mobile Home Park (the "Park"). The 2000 Bonds are secured by (and repayment of the 2000 Bonds is limited to) Pledged Revenues, which consist primarily of net operating revenues from the Park, and certain trust funds maintained under the Trust Indenture. The 2000 Bonds are not a debt of the City, and the City is not liable for repayment of the 2000 Bonds. There is a Regulatory Agreement in place that requires the Park to rent not less than 20% of the spaces to very low income residents. These requirements will expire when the bonds mature in 2035. Chapter 5.52 of the Moorpark Municipal Code (Mobile Home Rent Stabilization Law ("City Law")) applies to the park.

DISCUSSION:

The Borrower has requested that the City issue refunding bonds (the "2011 Bonds") to refund and restructure the debt service payments on the 2000 Bonds, and to restructure certain operating restrictions in the existing bond documents related to operating reserves held by the Park.

Based on current market interest rates, the proposed 2011 Bonds will produce an average annual debt service savings of approximately \$100,000 per year through 2029. When all cash flow savings are discounted to a present value amount, the overall savings amount on a net present value basis is approximately \$600,000. The final term date of the 2011 Bonds (2035) will be the same as the existing term date on the 2000 Bonds.

At the time of issuance of the 2000 Bonds, the bond insurer required that the Borrower maintain certain operating reserves in cash (in addition to the bond Debt Service Reserve fund held by the Trustee), and such amounts were not available to invest in the Permitted Investments that were otherwise allowed by the Trust Indenture. As there will be no bond insurance commitment obtained for the 2011 Bond issue (an investment grade rating is expected from Standard & Poor's) the new bond documents will allow for such investments, which will provide approximately \$20,000 per year of interest earnings. Also, approximately \$400,000 of the existing operating reserve amount will be transferred to the Repair and Replacement Fund held by the bond Trustee. When combined with the existing balance in the Repair and Replacement Fund, the new Repair and Replacement Fund will have \$500,000 to be used for Park improvements.

A Physical Needs Assessment Report was recently prepared for the Park by Meterman, Inc., which noted the necessity for both short term and long term repair and maintenance items needed at the Park. The Report identified \$22,600 of immediate needs, \$267,000 of items estimated to be needed in years 2 through 10, and an additional \$950,000 of items projected to be replaced or upgraded in years 11 through 35. The \$500,000 balance that will be in the new Repair and Replacement Fund held by the bond Trustee (and future surplus operating revenues) may be used for such repairs and upgrades, which may include asphalt repair work, fencing and block wall improvements, and utility meter upgrades and replacement. Urban Futures, Inc., as Oversight Agent for the City, will review and approve improvement funding requests by the Park for expenditures from the Repair and Replacement Fund.

The Park is required to rent not less than 20% of the spaces to very low income residents, pursuant to the existing Regulatory Agreement. The terms and conditions related to the rental restrictions in the new Regulatory Agreement for the 2011 Bonds will remain unchanged from the existing terms and conditions in the current Regulatory Agreement.

Prior to considering the issuance of the 2011 Bonds, the City is required to hold a public hearing pursuant to the Tax Equality and Fiscal Responsibility Act of 1982 ("TEFRA"). Members of the Finance Team will be in attendance at the meeting to answer any questions. The forms of the Trust Indenture, Loan Agreement, Regulatory Agreement, Oversight and Administration Agreement, Escrow Agreement, and Preliminary Official Statement are on file with the City Clerk. All documents have been reviewed and approved by the City Attorney.

FISCAL IMPACT:

The 2011 Bonds are not a debt of the City, and the City is not liable for repayment of the 2011 Bonds. Debt service payments on the 2011 Bonds will be paid from Pledged Revenues, consisting of net operating revenues from the Park and certain monies held by the bond Trustee. The City will receive \$15,000 as an issuance fee at closing in May 2011. The Annual Administrative Fee of \$15,000 will continue after the payment due in June 2011 in accordance with the current Regulatory Agreement from the Borrower for administration of the 2011 Bonds.

STAFF RECOMMENDATION:

1. Open TEFRA Hearing, accept public testimony and close the hearing
2. Adopt Resolution No. 2011- ____

ATTACHMENTS:

1. Resolution No. 2011-_____

RESOLUTION NO. 2011-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, AUTHORIZING THE ISSUANCE OF REFUNDING REVENUE BONDS FOR THE PURPOSE OF REFINANCING OUTSTANDING CITY OF MOORPARK MOBILE HOME PARK REVENUE BONDS (VILLA DEL ARROYO), AUTHORIZING THE ISSUANCE OF ADDITIONAL BONDS AND APPROVING CERTAIN DOCUMENTS, AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST AND LOAN AGREEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF AND APPROVING OTHER RELATED DOCUMENTS AND APPROVING OTHER RELATED ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City of Moorpark (the "City") is authorized to issue bonds pursuant to Section 52100 and following of the Health and Safety Code of the State of California (the "Law") to finance and refinance the acquisition of mobile home parks by nonprofit organizations; and

WHEREAS, on or about May 25, 2000, the City issued its \$12,740,000 original amount of Mobile Home Park Revenue Bonds (Villa Del Arroyo) Series 2000A and \$2,635,000 original amount of Mobile Home Park Subordinate Revenue Bonds (Villa Del Arroyo) Series 2000B (collectively, the "Prior Bonds") for the purpose of providing for the refinancing of the acquisition of a 241-space mobile home park located at 15750 East Los Angeles Street in the City and known as Villa Del Arroyo Mobile Home Park (the "Project"); and

WHEREAS, Augusta Homes, a California nonprofit public benefit corporation (the "Corporation") qualified as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and was the borrower under the loan agreement executed in connection with the Prior Bonds; Augusta Homes intends to, simultaneously with the issuance of the refunding bonds, transfer the Project to Villa Del Arroyo Moorpark LLC, a California limited liability company (the "Borrower"), whose sole member is Augusta Homes; such Borrower has requested that the City issue and sell refunding revenue bonds for the purpose of providing for the refinancing of the Prior Bonds; and

WHEREAS, the City proposes to issue its not to exceed \$15,000,000 aggregate principal amount City of Moorpark Mobile Home Park Refunding Revenue Bonds (Villa Del Arroyo) Series 2011A (the "Series A Bonds") and not to exceed \$500,000 aggregate principal amount City of Moorpark Taxable Subordinate Mobile Home Park Refunding Revenue Bonds (Villa Del Arroyo) Series 2011B-T (the "Series B Bonds," the interest on which is taxable under federal tax law) (together, the "Bonds") pursuant to the Law to refund the Prior Bonds; and

WHEREAS, the Borrower has additionally requested that the City at this time approve the holding of a "TEFRA" public hearing to consider approval of (i) the possibility that the Bonds may have an average maturity date later than the average maturity date of the Prior Bonds being refunded; and (ii) to issue additional tax-exempt obligations in the aggregate principal amount of approximately \$500,000, which, if issued, will provide proceeds to be applied to finance minor rehabilitation of the Project, and to authorize issuance of the Bonds on such terms and to authorize such additional bonds; and

WHEREAS, there has been presented to the City Council at this meeting proposed forms of an Indenture of Trust, a Loan Agreement, an Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants, and an Administration and Oversight Agreement, as well as Preliminary Official Statements relating to the Bonds and a Contract of Purchase with respect to the Bonds by Kinsell, Newcomb & De Dios, Inc. (the "Underwriter"); and

WHEREAS, the original financing of the Project lessened the governmental burden of the City by preserving affordable housing within the City and the refinancing of the Prior Bonds will additionally facilitate that purpose; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the issuance of the Bonds exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to issue the Bonds for the purposes, in the manner and upon the terms herein provided.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES RESOLVE AS FOLLOWS:

SECTION 1. Recitals. The above recitals, and each of them, are true and correct.

SECTION 2. Appointment of Trustee. U.S. Bank National Association is hereby appointed as the initial trustee (the "Trustee") under the Indenture of Trust (the "Indenture") relating to the Bonds, with the duties and powers of such Trustee as are set forth in the Indenture.

SECTION 3. Indenture. The Indenture authorizing the issuance of the Bonds, between the City and the Trustee, in the form presented at this meeting, is hereby approved and the City Manager or the Assistant City Manager, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Indenture in the form hereby approved together with such additions or changes as the officer executing the same, upon consultation with the City's Financial Advisor and Bond Counsel, may approve (including but not limited to those changes described in Section 11 below), such approval to be conclusively evidenced by the execution and delivery thereof by the City.

SECTION 4. Form of Bonds. The forms of the Bonds, each as set forth in the Indenture, are hereby approved and the City Manager, Assistant City Manager, or Mayor and the City Clerk are hereby authorized and directed to execute by manual or facsimile signature, for and in the name and on behalf of the City, the Bonds in either temporary and/or definitive form in the aggregate principal amounts and all in accordance with the terms and provisions of the Indenture.

SECTION 5. Loan Agreement. The Loan Agreement (the "Loan Agreement") by and among the City, the Trustee and the Borrower, whereby the proceeds of the Bonds are to be loaned to the Borrower for the purpose of providing permanent financing for the acquisition of the Project, in the form presented at this meeting, is hereby approved and the City Manager or the Assistant City Manager, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Loan Agreement in the form hereby approved together with such additions or changes as the officer executing the same, upon consultation with the City's Financial Advisor and Bond Counsel, may approve (including but not limited to those changes described in Section 11 below), such approval to be conclusively evidenced by the execution and delivery thereof by the City.

SECTION 6. Regulatory Agreement. The Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants by and among the City, the Trustee and the Borrower (the "Regulatory Agreement") in the form presented at this meeting, is hereby approved and the City Manager or the Assistant City Manager, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Regulatory Agreement in the form hereby approved together with such additions or changes therein as the officer executing the same, upon consultation with the City's Financial Advisor, the City Attorney and Bond Counsel, may approve (including but not limited to those changes described in Section 11 below), such approval to be conclusively evidenced by the execution and delivery thereof by the City.

SECTION 7. Official Statement. The two Preliminary Official Statements relating to the Bonds (collectively, the "Preliminary Official Statements") in the forms presented at this meeting, are hereby approved. The City Manager and the Assistant City Manager are hereby authorized and directed to make changes to the forms of the Preliminary Official Statements hereby approved, upon consultation with the City's Financial Advisor and Bond Counsel (including but not limited to those changes described in Section 11 below), as necessary or desirable to reflect the terms of the financing and the documents with respect thereto.

The Preliminary Official Statements may be brought into the form of final Official Statements which shall contain such changes or modifications thereto as may be deemed necessary or desirable by the City Manager or the Assistant City Manager, upon consultation with the City's Financial Advisor and Bond Counsel. The City Manager or the Assistant City Manager, each acting alone, are hereby authorized and

directed, for and in the name and on behalf of the City, to execute and deliver the final Official Statements. The City Manager or the Assistant City Manager, each acting alone, are authorized and directed, on behalf of the City, to certify the Preliminary Official Statements as "near final" for purposes of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended ("Rule 15c2-12"), and to certify the Official Statements as "final" pursuant to Rule 15c2-12.

SECTION 8. Contract of Purchase. The Contract of Purchase among the City, the Borrower and the underwriters in the form presented at this meeting, is hereby approved. The City Manager or the Assistant City Manager, each acting alone, are hereby authorized to execute the Contract of Purchase in said form together with such additions or changes as the officer executing the same, upon consultation with the City's Financial Advisor and Bond Counsel, may approve (including but not limited to those changes described in Section 11 below), such approval to be conclusively evidenced by the execution and delivery of the Contract of Purchase by the City; provided that the aggregate principal amount of the Series A Bonds to be sold pursuant to the Contract of Purchase shall not exceed \$15,000,000 and the aggregate principal amount of the Series B Bonds to be sold pursuant to the Contract of Purchase shall not exceed \$500,000; and the interest rate on the Series A Bonds is not more than 9%, and the interest rate on the Series B Bonds is not more than 12%.

SECTION 9. Administration and Oversight Agreement. The Administration and Oversight Agreement (the "Administration Agreement") in the form presented at this meeting, by and among the City, the Borrower and Urban Futures, Incorporated (or such other entity as the City Manager shall select) as Program Administrator and Oversight Agent, is hereby approved and the City Manager or the Assistant City Manager, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the City, to execute the Administration Agreement in the form hereby approved, together with such additions or changes as the officer executing the same, upon consultation with the City's Financial Advisor and Bond Counsel, may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 10. Approval of TEFRA Publication. The Council acknowledges that staff has caused to be prepared and published a notice of public hearing as required by Section 147(f) of the Internal Revenue Code and in connection therewith the Council will conduct a public hearing on April 6, 2011 with respect to the possibility of the proposed issuance of the Bonds at an average maturity later than the average maturity of the Prior Bonds, and with respect to the possibility of issuing additional bonds for the Project, as described in the notice.

SECTION 11. Additional Series of Bonds. Subject to the provisions of Section 8 above, the City Manager or the Assistant City Manager are hereby expressly authorized to approve revisions to the documents referenced in this Resolution to add a series of Bonds, the interest on which is tax-exempt or taxable under federal tax law, upon the recommendation of the Underwriter and concurrence by the City's Financial Advisor that such additional series is in the best interests of the City in the

circumstances, said recommendation and concurrence to be conclusively evidenced by the execution and delivery by the City of such documents which included provisions for such additional series of the Bonds.

SECTION 12. Designation of Professionals. The law firm of Jones Hall, a Professional Law Borrower is hereby designated as Bond Counsel and Disclosure Counsel to the City with respect to the Bonds; Kinsell, Newcomb & DeDios, Inc. is hereby designated as underwriter for the Bonds and Urban Futures is hereby designated as financial advisor for the Bonds.

SECTION 13. Other Acts. The Mayor, members of the City Council, City Manager, Assistant City Manager, Finance Director, City Clerk, City Attorney and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including without limitation, obtaining bond insurance and a rating for the Bonds, and including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they, or any of them, may deem necessary or advisable in order to consummate the transactions as described herein in connection with the issuance and sale of the Bonds or to otherwise effectuate the purposes of this Resolution.

SECTION 14. Effective Date. This Resolution shall take effect immediately upon adoption.

SECTION 15. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original Resolutions.

PASSED AND ADOPTED this 6th day of April, 2011

Janice S. Parvin, Mayor

ATTEST:

Maureen Benson, City Clerk