



DATE: April 2, 2008

TO: Honorable Mayor and City Councilmembers

FROM: City Treasurer's Office

SUBJECT: **ADOPTION OF A RESOLUTION AUTHORIZING THE ISSUANCE OF COMMUNITY FACILITIES DISTRICT 2006-1 (PACIFIC COAST BUSINESS PARK) SPECIAL TAX BONDS SERIES 2008 IN A PRINCIPAL AMOUNT NOT TO EXCEED \$11,000,000 AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

SYNOPSIS

Staff recommends that the City Council adopt a resolution authorizing the issuance of Community Facilities District 2006-1 (Pacific Coast Business Park) special tax bonds Series 2008 in a principal amount not to exceed \$11,000,000 and approving certain documents and taking certain other actions in connection therewith. The documents pertaining to the sale of the special tax bonds in substantially the forms as attached will be approved as part of the resolution: Preliminary Official Statement, Continuing Disclosure Agreement, Bond Indenture, Agreement for Acquisition, Counsel Agreement and Bond Purchase Agreement. The bonds proceeds will be used to pay for public infrastructure constructed within the District and related bond issuance costs.

BACKGROUND

The Pacific Coast Business Park was approved August 22, 2005, and is 115.5 acres of the entire 152 acre site, located south of Old Grove Road, west of College Boulevard. The property is entitled for approximately 1,500,000 square feet of industrial, research and development and office space.

On January 18, 2006, City Council adopted Resolution 06-R0031-1 declaring the intention to establish Community Facilities District (CFD) 2006-1 for the Pacific Coast Business Park. Council also adopted Resolution 06-R0032-1 declaring the intention to incur bonded debt within the District not to exceed \$12 million. The purpose of the bonds is to finance certain public infrastructure necessary to develop the business park. Other action taken by Council at the meeting included approval of a reimbursement agreement between the City and Pacific Coast Business Park to pay for any expenses incurred by the City in the process of establishing the District.

The Community Facilities District 2006-1, Pacific Coast Business Park was officially formed on February 22, 2006 through the adoption of Resolution 06-R0075-1 by Council. Other action taken by Council at the meeting included the adoption of Resolution 06-R0076-1 declaring the necessity to incur debt and levy special taxes within the District, calling and holding an election of property owners within the District to authorize the debt issuance and levy of taxes, and introduce an ordinance to levy the special taxes within the District. Ordinance 06-OR0098-1 was on adopted on March 8, 2006.

ANALYSIS

The CFD area is 115.57 gross acres, located south of Old Grove Road and west of College Boulevard. As of January 1, 2008, all the property within the District is owned by AMB DFS Pacific Coast, LLC, with the exception of 7.89 acres which AMB sold to LW Properties LLC. The property is entitled for approximately 1.5 million square feet of industrial, research and development and office space. AMB purchased the property located within the District from Pacific Coast Business Park LLC on January 27, 2006. Current development within the District includes Phase 1 of the development plan of which tentative parcel maps were approved by the Planning Commission on November 19, 2007. Phase 1 consists of approximately 323,950 square feet of industrial buildings on 21.74 acres, divided into three separate projects. Initial construction in Phase 1 includes approximately 219,842 square feet on 13.62 acres, with the rest of Phase 1 anticipated to be sold to other parties.

The bonds to be issued by the District will finance the construction of public infrastructure within the District. The infrastructure, which is near completion, includes various water, storm drain and public roadway improvements, estimated to cost approximately \$8.9 million. The bond proceeds will be used to pay for the cost of the infrastructure and cost of issuing the bonds, as well as the establishment of required reserve and capitalized interest funds.

The bonds are to be repaid through the levy of special taxes on the property owners within the District. The levy is to be calculated as per the Rate and Method of Apportionment adopted by Council in February 2006 and will be based on either a per-square-foot basis for buildings or on a per-acre basis for undeveloped property, whichever is greater. In the event the calculated taxes based on the established rate and method are not adequate to pay for debt service, there is a provision for a back-up tax to be levied to ensure that debt service is covered.

It is anticipated that the par value of bonds to be issued, based on market conditions as of January 15, 2008, will be \$9.705 million. Net proceeds from the sale of bonds would be approximately \$9.484 million, which will finance approximately \$7.945 million in construction costs, \$1.143 million in reserve fund and capitalized interest costs, and approximately \$400,000 in cost of issuance. All bond pricing at this time is subject to

change up to final pricing, which is anticipated to occur in mid-March after Council approval.

Documents to be approved by Council will be finalized and executed during the bond pricing and closing process, with the exception of the Bond Counsel Agreement. The Preliminary Official Statement, which includes the Continuing Disclosure Agreement, will be finalized and distributed to potential investors prior to pricing the bonds. Once final pricing of the bonds is completed, the remaining documents will be finalized and executed by the appropriate parties at bond closing.

FISCAL IMPACT

The developer is responsible for the payment of all expenses incurred by the City in the establishment of the CFD. Once the bonds are sold, the developer may recover these costs in the amount included in the bond sale. Annual bond expenses incurred by the City are paid through administrative charges levied as part of the special tax at an initial \$30,000 per year, with a two percent escalator per year allowance.

The source of payment of the bonds is the special tax levied on the properties within the Pacific Coast Business Park. The City has required the developer to post a letter of credit to pay for debt service during the early development stages of the business park in the event there is a default by the developer. As the property is developed, the letter of credit will diminish. When 51 percent of the District is developed, the letter of credit will no longer be required. In addition to the letter of credit, the reserve fund further protects the bond holders and the City from financial liability in the case of non-payment of special taxes. If insufficient funds are collected due to non-payment of the levied special taxes, the Bond Trustee will draw the necessary funds from the reserve fund to handle the delinquencies. As a final remedy, the District can foreclose and auction delinquent property to satisfy the debt service related to that particular property. The City requires a value-to-lien ratio of 4:1 of the property within the District, which means there is four times as much value as debt. According to the preliminary appraisal on the property, the value-to-lien ratio for the District is 4.39 to 1, exceeding the City's minimum requirement.

Should a default occur, the City of Oceanside has no legal or moral obligation to pay the debt from the General Fund. Bond analysts recognize the difference between the City and the District and therefore advise that there would be no impact on the overall City bond rating.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

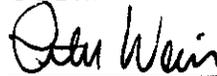
RECOMMENDATION

Staff recommends that City Council adopt a resolution authorizing the issuance of Community Facilities District 2006-1 (Pacific Coast Business Park) special tax bonds Series 2008 in a principal amount not to exceed \$11,000,000 and approving certain documents and taking certain other actions in connection therewith.

PREPARED BY:

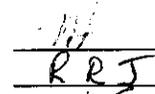
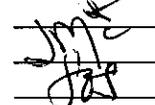

Michele C. Lund, CCMT
Treasury Manager

SUBMITTED BY:


Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager
Rosemary R. Jones, City Treasurer
Teri Ferro, Director of Financial Services
Jane McVey, Economic and Community Development Director
Scott Smith, City Engineer

Attachments/Exhibits

1. Resolution of the City Council Of The City Of Oceanside acting as the legislative body of Community Facilities District No. 2006-1 Of The City Of Oceanside (Pacific Coast Business Park) authorizing the issuance of its special tax bonds Series 2008 in a principal amount not to exceed eleven million dollars (\$11,000,000) and approving certain documents and taking certain other actions in connection therewith
2. Preliminary Official Statement
3. Continuing Disclosure Agreement between the District and The Bank of New York Trust Company as Dissemination Agent (Attached as Appendix F to the Preliminary Official Statement)

4. Bond Indenture between the District and The Bank of New York Trust Company as Trustee
5. Bond Purchase Agreement for Community Facilities District No. 2006-1 of the City of Oceanside (Pacific Coast Business Park) Special Tax Bonds Series 2008
6. Agreement for Acquisition between the City of Oceanside, Community Facilities District 2006-1 (Pacific Coast Business Park), Pacific Coast Business Park, LLC and AMB DFS Pacific Coast LLC
7. Bond Counsel Agreement between the City of Oceanside and Stradling, Carlson, Yocca & Rauth
8. Draft Appraisal Report dated February 26, 2008

1 RESOLUTION NO. _____

2 RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
3 OCEANSIDE ACTING AS THE LEGISLATIVE BODY OF
4 COMMUNITY FACILITIES DISTRICT NO. 2006-1 OF THE
5 CITY OF OCEANSIDE (PACIFIC COAST BUSINESS PARK)
6 AUTHORIZING THE ISSUANCE OF ITS SPECIAL TAX
7 BONDS SERIES 2008 IN A PRINCIPAL AMOUNT NOT TO
8 EXCEED ELEVEN MILLION DOLLARS (\$11,000,000) AND
9 APPROVING CERTAIN DOCUMENTS AND TAKING
10 CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

11 WHEREAS, the City Council of the City of Oceanside, located in San Diego County,
12 California (hereinafter sometimes referred to as the "legislative body of the District"), has
13 heretofore undertaken proceedings and declared the necessity of Community Facilities District
14 No. 2006-1 of the City of Oceanside (Pacific Coast Business Park) (the "District") to issue bonds
15 pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as
16 amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of
17 California (the "Act"); and

18 WHEREAS, pursuant to Resolution Nos. 06-R0075-1 and 06-R0076-1 adopted by the
19 legislative body of the District on February 22, 2006, certain bond propositions were submitted
20 to the qualified electors within the District, and were approved by more than two-thirds of the
21 votes cast at the elections held within the District on February 22, 2006; and

22 WHEREAS, based upon Resolution Nos. 06-R0075-1 and 06-R0076-1 and the elections,
23 the District is now authorized to issue bonds in one or more series, pursuant to the Act, in an
24 aggregate principal amount not to exceed \$12,000,000; and

25 WHEREAS, the legislative body of the District desires to issue bonds for the District at
26 this time under the Act to finance certain public facilities which the District is authorized to
27 finance; and

28 WHEREAS, the District desires to accomplish the financing of certain public facilities
for the District through the issuance of bonds in an aggregate principal amount not to exceed
\$11,000,000 designated as the "Community Facilities District No. 2006-1 of the City of
Oceanside (Pacific Coast Business Park) Special Tax Bonds Series 2008" (the "Bonds"); and

WHEREAS, in order to effect the issuance of the Bonds, the legislative body of the
District desires to approve the form of a Preliminary Official Statement for the Bonds and to

1 approve the forms of and authorize the execution and delivery of a Bond Indenture, a Bond
2 Purchase Agreement, a Continuing Disclosure Agreement for the Bonds and an Agreement for
3 Acquisition, the forms of which are on file with the City Clerk; and

4 WHEREAS, the legislative body of the District has determined in accordance with
5 Government Code Section 53360.4 that a negotiated sale of the Bonds to Citigroup Global
6 Markets, Inc., (the "Underwriter") in accordance with the terms of the Bond Purchase Agreement
7 for the Bonds to be entered into by the District and the Underwriter (the "Bond Purchase
8 Agreement") will result in a lower overall cost to the District than a public sale; and

9 WHEREAS, the legislative body of the District has determined that it is prudent in the
10 management of its fiscal affairs to issue the Bonds; and

11 WHEREAS, the value of the real property in the District subject to the special tax to pay
12 debt service on the Bonds is not less than four times the principal amount of the Bonds and the
13 principal amount of all other bonds outstanding that are secured by a special tax levied pursuant
14 to the Act or a special assessment levied on property within the District, which fact is required as
15 a precondition to the issuance of the Bonds;

16 NOW, THEREFORE, the City Council of the City of Oceanside acting as the legislative
17 body of Community Facilities District No. 2006-1 (Pacific Coast Business Park) does hereby
18 resolve as follows:

19 SECTION 1. Each of the above recitals is true and correct and is adopted by the
20 legislative body of the District.

21 SECTION 2. The District is authorized pursuant to the Act to issue the Bonds for the
22 purpose of financing public facilities which the District is authorized to finance.

23 SECTION 3. The issuance of the Bonds in a principal amount not to exceed
24 \$11,000,000 is hereby authorized with the exact principal amount of the Bonds to be determined
25 by the official signing the Bond Purchase Agreement in accordance with Section 6 below. The
26 legislative body of the District hereby determines that it is prudent in the management of its
27 fiscal affairs to issue the Bonds. The Bonds shall mature on the dates and pay interest at the rates
28 set forth in the Bond Purchase Agreement to be executed on behalf of the District in accordance
with Section 6 hereof. The Bonds shall be governed by the terms and conditions of the Bond
Indenture presented at this meeting (the "Indenture"). The Indenture shall be prepared by Bond
Counsel to the District and executed by any one of the Mayor, City Manager, Deputy City
Manager or the Director of Financial Services of the City of Oceanside or the written designee of

1 one of the foregoing (collectively the "Authorized Officers") substantially in the form presented
2 at this meeting, with such additions thereto and changes therein as approved by Stradling Yocca
3 Carlson & Rauth, Bond Counsel to the City ("Bond Counsel"), and the City Attorney. Approval
4 of such changes shall be conclusively evidenced by the execution and delivery of the Indenture
5 by any one of the Authorized Officers. Capitalized terms used in this Resolution which are not
6 defined herein have the meanings ascribed to them in the Indenture.

7 SECTION 4. The Bonds shall be executed on behalf of the District by the manual or
8 facsimile signature of an Authorized Officer and attested with the manual or facsimile signature
9 of the City Clerk. The Bank of New York Trust Company, N.A., is hereby appointed to act as
10 trustee for the Bonds.

11 SECTION 5. The covenants set forth in the Indenture to be executed in accordance with
12 Section 3 above are hereby approved, shall be deemed to be covenants of the legislative body of
13 the District, and shall be complied with by the District and its officers.

14 SECTION 6. The form of the Bond Purchase Agreement presented at this meeting is
15 hereby approved and any one of the Authorized Officers is hereby authorized to execute the
16 Bond Purchase Agreement, with such additions thereto and changes therein as approved by Bond
17 Counsel and the City Attorney. Approval of such additions and changes shall be conclusively
18 evidenced by the execution and delivery of the Bond Purchase Agreement; provided, however,
19 that the Bond Purchase Agreement shall be signed only if the Bonds are purchased by the
20 Underwriter at an overall interest rate that does not exceed 7.5% per annum for the issue as a
21 whole and the discount paid to the Underwriter (exclusive of original issue discount) does not
22 exceed 1.2% of the principal amount of the Bonds. Each of the Authorized Officers is
23 authorized to determine the day on which the Bonds are to be priced in order to attempt to
24 produce the lowest borrowing cost for the District and may reject any terms presented by the
25 Underwriter if determined not to be in the best interest of the District.

26 SECTION 7. The form of the Continuing Disclosure Agreement presented at this
27 meeting is hereby approved and any one of the Authorized Officers is hereby authorized and
28 directed to execute the Continuing Disclosure Agreement in the form hereby approved, with such
additions therein and changes thereto as the Authorized Officer or Authorized Officers executing
the same deem necessary, with such approval to be conclusively evidenced by the execution and
delivery of the Continuing Disclosure Agreement.

1 SECTION 8. The form of the Agreement for Acquisition presented at this meeting is
2 hereby approved and any one of the Authorized Officers is hereby authorized and directed to
3 execute the same in the form hereby approved, with such additions therein and changes thereto
4 as the Authorized Officer or Authorized Officers executing the same deem necessary, with such
5 approval to be conclusively evidenced by the execution and delivery of the Agreement for
6 Acquisition.

7 SECTION 9. The form of the Preliminary Official Statement presented at this meeting
8 is hereby approved, and the Underwriter is hereby authorized to distribute the Preliminary
9 Official Statement to prospective purchasers of the Bonds in the form hereby approved, together
10 with such additions thereto and changes therein as are determined necessary by any one of the
11 Authorized Officers to make the Preliminary Official Statement final as of its date for purposes
12 of Rule 15c2-12 of the Securities and Exchange Commission, including, but not limited to, such
13 additions and changes as are necessary to make all information set forth therein accurate and not
14 misleading. Each of the Authorized Officers is hereby authorized to execute a final Official
15 Statement in the form of the Preliminary Official Statement, together with such changes as are
16 determined necessary by the Authorized Officer executing the Official Statement to make such
17 Official Statement complete and accurate as of its date. The Underwriter is further authorized to
18 distribute the final Official Statement for the Bonds and any supplement thereto to the purchasers
19 thereof upon its execution on behalf of the District as described above.

20 SECTION 10. In accordance with the requirements of Section 53345.8 of the Act, the
21 legislative body of the District hereby determines that the value of the real property in the
22 District subject to the special tax to pay debt service on the Bonds is not less than four times the
23 principal amount of the Bonds and the principal amount of all other bonds outstanding that are
24 secured by a special tax levied pursuant to the Act or a special assessment levied on property
25 within the District. This determination is based on the value of the real property within the
26 District in an appraisal prepared for the District, which appraisal has been conducted in a manner
27 consistent with the policies of the City of Oceanside adopted pursuant to Section 53312.7 of the
28 Act.

SECTION 11. Each of the Authorized Officers is authorized to provide for all services
necessary to effect the issuance of the Bonds. Such services shall include, but not be limited to,
obtaining legal services, trustee services and any other services deemed appropriate by an
Authorized Officer. Any one of the Authorized Officers is authorized to pay for the cost of such

1 services, together with other costs of issuance from Bond proceeds. Without further approval of
2 the legislative body of the District, the total amount disbursed by the Authorized Officers for
3 costs of issuance, exclusive of Underwriter's discount, shall not exceed 5% of the principal
4 amount of the Bonds.

5 SECTION 12. The form of Bond Counsel Agreement of Stradling Yocca Carlson &
6 Rauth on file with City Clerk is hereby approved and anyone of the Authorized Officers is
7 hereby authorized and directed to execute the same in the form hereby approved, with such
8 additions therein and changes thereto as the Authorized Officer or Authorized Officers executing
9 the same deem necessary, with such approval to be conclusively evidenced by the execution and
10 delivery of the Bond Counsel Agreement.

11 SECTION 13. The Mayor and the other officers and staff of the City of Oceanside and
12 the District responsible for the fiscal affairs of the District are hereby authorized and directed to
13 take any actions and execute and deliver any and all documents as are necessary to accomplish
14 the issuance, sale and delivery of the Bonds in accordance with the provisions of this Resolution
15 and the fulfillment of the purposes of the Bonds as described in the Indenture, including, but not
16 limited to, providing certificates as to the accuracy of any information relating to the District
17 which is included in the Official Statement. In the event that the Mayor is unavailable to sign
18 any document authorized for execution herein, any Authorized Officer may sign such document.
19 Any document authorized herein to be signed by the City Clerk may be signed by a duly
20 appointed deputy clerk.

21 PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this
22 ____ day of _____, 2008, by the following vote:

23 AYES:

24 NAYS:

25 ABSENT:

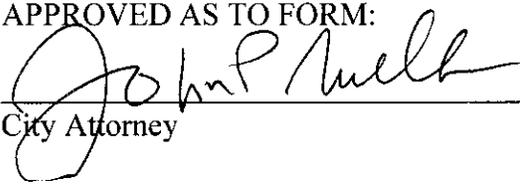
26 ABSTAIN:

27 _____
MAYOR OF THE CITY OF OCEANSIDE

28 ATTEST:

APPROVED AS TO FORM:

City Clerk



City Attorney

MEMORANDUM

DATE: April 2, 2008
TO: Honorable Mayor and Councilmembers
FROM: Patricia Allison, City Manager's Office
SUBJECT: AVAILABILITY OF DOCUMENTS FOR REVIEW

Due to their size, the remaining documents related to this item have not been included in the packet, but are available for review in the City Manager's Office, the City Clerk's Office, and at the Civic Center Library.