

STAFF REPORT

DATE: February 22, 2011

TO: Redevelopment Agency Board
Public Facilities Financing Authority
City Council

FROM: Paul Navazio, Interim City Manager / Executive Director

SUBJECT: Redevelopment Agency Bond Issue

Recommendation

Staff recommends the approval of a Redevelopment Agency bond issue of \$4 million taxable bonds and up to \$12 million in tax-exempt bonds for identified priority projects. Specific actions are:

1. The **Redevelopment** Agency approve a resolution (Attachment 1) to authorize the issuance of bonds; approve sale of the bonds to the Public Facilities Financing Authority; and approve the necessary documents;
2. The **City Council** approve a resolution (Attachment 2) approving the Agency's issuance of the bonds; and
3. The **Public Facilities Financing Authority** approve a resolution (Attachment 3) to purchase the bonds from the Redevelopment Agency and then sell them to an underwriter or through private placement.
4. The Redevelopment Agency Board approve costs for a private placement or a bond issue as indicated in Attachment 4, and authorize the waiving of bidding requirements.

As an alternative, the Redevelopment Agency may wish to consider either or both of the following actions:

- A. Also authorize the issuance of up to \$14 million (net) in taxable housing bonds, for priority projects identified at the meeting of February 15; and/or
- B. Maximize the bond issue and authorize the issuance of up to \$16.6 million (net) in tax-exempt non-housing bonds; or \$4 million in taxable and \$12.4 million (net) in tax-exempt bonds.

The attached resolutions would accommodate these actions, based upon direction to staff.

Council Goals

- Fiscal stability
- Economic development
- Community strength and effectiveness (affordable housing)

Fiscal Impact

The recommended bond issues would result in \$14-16 million in additional fund balance for current and future Agency programs. The Agency’s annual expense for non-housing debt service would approximately double, from \$1.3 million per year to \$2.8 million per year.

If approved, the housing bond issue would add about \$1 million to the current debt service obligation of \$600 thousand. The housing fund would retain almost \$500 thousand in annual proceeds after debt service payments. Annual revenues could be used for administration or for additional housing projects and programs.

The costs of issuance will vary based on a private placement of \$18 million or for \$14 million in non-housing and \$10.4 in housing bonds is as follows:

Payee	Description	Private Placement	Bonds
JP Morgan	Legal & Incidental	40,000	n/a
US Bank	Trustee	4,000	4,000
Northcross Hill Ash	Financial Advisor	70,000	85,000
Jones Hall	Bond Counsel	101,000	101,000
Jones Hall	Disclosure Counsel	30,000	40,000
Don Fraser & Assoc.	Finance Consultant	10,000	10,000
Total		255,000	240,000

In addition to the above, an underwriting fee will be charged. The City is in the process of obtaining bids from four underwriters which will be available on Monday. An underwriter will be recommended at the City Council meeting. Private placement costs would come out of Redevelopment Agency funds. Bond costs would be paid out of the Cost of Issuance. The copies of the proposals are contained in Attachment 4.

The bonds are not an obligation of the City of Davis or its General Fund. The bond amounts that have been analyzed, \$14 to 16 million on the non-housing Agency revenue and \$10 million on the housing Agency revenue, would not be maximizing the Agency’s bonding capacity at \$20 million and \$12 million respectively. Leaving capacity in the Agency allows for some continued annual revenue and ongoing flexibility, as long as the tax increment revenue is available.

Background and Analysis

The Redevelopment Agency and the Governor’s Proposal to Shut Down Redevelopment

On February 1, 2011, the City Council and the Redevelopment Agency Board discussed the Governor’s proposal to eliminate redevelopment agencies. The City and the Agency approved an amended Cooperation Agreement confirming the existing obligations and debt of the Redevelopment Agency. The City Council also approved a resolution in opposition to the Governor’s proposal. The Redevelopment Agency Board directed a public discussion on a possible bond issue for priority projects to be held. On February 15, the Board gave direction to proceed with the issuance of approximately \$9 million in housing and \$14 million in non-housing bonds, for the following priority projects:

Fund Source	Projects (Non-Housing)
Fund Balance \$9.5m	<ul style="list-style-type: none"> Yolo County undercollection \$1.9 million

Fund Source	Projects (Non-Housing)
	<ul style="list-style-type: none"> • Organizational flexibility against adverse economic conditions or legislative action • Smaller and ongoing economic development and redevelopment efforts: 3rd Street Corridor; Tank House; pending rehabilitation loan; Central Park; 5th Street Corridor; Depot....
Taxable Bond Proceeds \$8m	<ul style="list-style-type: none"> • Hotel expansion/conference facility • Downtown private mixed use development • Downtown music / entertainment venue
Tax-Exempt Bond Proceeds \$6m	<ul style="list-style-type: none"> • Downtown Parking Structure • Richards/Olive/Depot access improvements • 3rd Street Corridor Improvements
Annual Tax Increment after debt service, housing, pass-throughs: \$1.95 million	Agency operations, administration, and smaller projects

Fund Source	Projects (Housing)
Fund Balance \$7m	<ul style="list-style-type: none"> • Mace Parke Closeout • New Harmony Project Construction • Organizational flexibility against adverse economic conditions or legislative action
Taxable Bond Proceeds \$9.2m	<ul style="list-style-type: none"> • Pacifico Rehabilitation • Downpayment Assistance Program • Construction of 2990 Fifth Street • Rehabilitation of Sterling Court and Farmworker Housing • Construction of Woodbridge • Tax-Credit Partnership Buyouts through 2015 (4 projects, 212 units)
Annual Tax Increment after debt service: \$500,000	Agency housing program operations, administration, and smaller projects

Financing Package

The recommended documents are the final step to approve the sale of the bonds. The bond sale could close as early as Thursday, March 3rd. The specific documents are as follows:

Resolution of the Redevelopment Agency (Attachment 1) authorizing the issuance of up to \$20 million in non-housing bonds and up to \$12 million in housing bonds. The resolution establishes a maximum interest rate of 10%, with an Underwriter's discount of not more than 2% of the par amount. The Agency will sell the bonds to the City of Davis Public Financing Authority, which may elect to sell the bonds through private placement or to an underwriter. The Agency's resolution also approves the following documents:

- The Preliminary Official Statement, the offering and disclosure document for the bonds;

- The Purchase Contract, authorizing sale of the bonds to the Public Financing Authority;
- Indenture of Trust and First Supplement to Indenture of Trust committing the Agency to making bond payments and provide continuing disclosures.

The exact amount of the bond issuance, and whether housing debt is included, will be adjusted by staff and Redevelopment Agency Counsel based upon the Redevelopment Agency Board's direction at this meeting.

Resolution of the City of Davis approving the Agency's issuance of bonds, as required by State law. The bonds are not an obligation of the City of Davis or its General Fund.

Resolution of the Public Financing Authority agreeing to purchase the bonds from the Agency and then re-sell them. This is the structure commonly used by Redevelopment Agencies for issuance of bonds, in accordance with the requirements of State law.

Analysis

Staff would like to note the following aspects of the recommended financing packages:

- As previously noted, the proposed sale of bonds for capital and economic development activities is consistent with the Agency's financing plans, absent the Governor's threat to eliminate redevelopment agencies. The borrowing does bear costs of issuance and interest obligations from future tax increment. The Agency's cap on total tax increment means that borrowing at this time allows better financing terms and less complex financing structure than if the borrowing were deferred. In addition, although the current interest rate environment is not as attractive as it has been in the past, future interest rates may be higher than current. Should interest rates decline, the Agency would have the opportunity to refinance the debt (as has been done with previous bond issues).
- In contrast to the non-housing bonds, staff would not likely be recommending housing bonds without that legislative discussion. As will be further discussed, staff recommends that the housing bonds not be authorized at this time, without draft legislation that would place constraints on future housing set aside obligations.
- The documents presented for approval do not make a selection of a public bond sale versus a negotiated loan. Staff recommends this determination be made by the Interim Executive Director, in consultation with the Redevelopment Agency Counsel and the consultant team, based upon the more advantageous option at the end of February.
- The recommended documents authorize up to \$20 million in non-housing bonds and up to \$12 million in housing bonds. Staff does not anticipate that the Agency would be able to borrow this much in the current market. Depending on the final interest rate at the time of sale, proceeds are likely closer to the \$9 million in housing and \$14-16 million in non-housing bonds considered on February 15. Tax-exempt bonds would generate more proceeds, but bear much greater restrictions on use of funds.
- Borrowing is expensive. A bond issue that generates \$14 million in tax-exempt funds will require \$1.5 million to fund the debt service reserve (which could be used for payments at the end of the bond term) and \$440 thousand in costs of issuance. In addition, over half of the \$1.5 million dollars per year in debt service would go to interest in the early years.

Taxable bonds have an even higher interest burden. If the funds are not used quickly, the Agency is spending considerably more on interest than it would gain on its investments. A sample sources and uses breakdown is included as Attachment 6.

- While borrowing is expensive, timely use of the bond proceeds on projects does not positively or negatively impact the expense of bonding. Bond investors do want to see active use of the bond proceeds, expecting activity on identified priority projects within the first five years of bond issuance.
- Existing funds in both capital and housing accounts for the Agency currently total approximately \$16 million. Using a conservative estimate based on existing annual revenue and stopping at the cap estimated to be reached in 2027, projected revenue through the current life of the Agency in 2037 would be approximately \$169,920,000. Together, this represents approximately \$185,920,000 in existing cash and potential revenue to the Agency overall. If state law changes prior to 2037, existing funds and potential future revenue could be impacted.
- The Agency has the option of issuing bonds with payments extending through 2037, the last year that tax increment can be collected (under current law). The Agency also has a cap on the maximum amount of tax increment that can be collected. Our current projections show that the Agency will reach the cap of \$350 million around the year 2027. If bonds are issued with a term that extends beyond the cap, the Agency will need to begin saving money before that time so that it can continue bond payments. This could be as early as approximately 2024. After that, there would be almost no funds available for continued operations.
- Staff recommends that the housing bonds not be authorized at this time. We have not seen any draft legislation, and do not know how affordable housing programs would be treated under the Governor's proposal. It is possible that housing programs will be protected, even if other redevelopment functions are limited. Because housing bonds would be taxable, current interest rates would be in the range of 9 percent. The high cost of financing, lesser risk of adverse legislative action, and time required to secure land-use entitlements and project matching funds lead staff to conclude that it is premature to issue housing bonds. Should circumstances change, staff would propose to return to the Agency board with the option to approve private placement bonds for the housing set-aside.

Attachments:

1. Redevelopment Agency Resolution
2. City Resolution
3. Public Financing Authority Resolution
4. Proposals for bond services (Costs of Issuance)
5. Summary of status – Priority projects
6. Sample sources and uses of bond proceeds (document detailing breakdown pending)

RDA RESOLUTION NO. XXXX,

**RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF DAVIS
AUTHORIZING BONDS WITH RESPECT TO THE DAVIS REDEVELOPMENT
PROJECT, APPROVING AND AUTHORIZING AND DIRECTING EXECUTION OF
AN INDENTURE AND FIRST SUPPLEMENT TO INDENTURE OF TRUST
RELATING THERETO, AUTHORIZING SALE OF SUCH BONDS, APPROVING
OFFICIAL STATEMENT AND PROVIDING OTHER MATTERS PROPERLY
RELATING THERETO**

WHEREAS, the Redevelopment Agency of the City of Davis (the "Agency") is a redevelopment agency, and public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (the "Law"), including the power to issue bonds for any of its corporate purposes; and

WHEREAS, a Redevelopment Plan for the redevelopment project designated the "Davis Redevelopment Project", in the City of Davis, California (the "Redevelopment Project"), has been adopted in compliance with all requirements of the Law; and

WHEREAS, the Agency has previously issued its (i) \$9,265,000 aggregate principal amount of Davis Redevelopment Project 2003 Tax Allocation Bonds (the "2003 Bonds") and its (ii) \$12,140,000 aggregate principal amount of Redevelopment Agency of the City of Davis Davis Redevelopment Project 2007 Tax Allocation Refunding Bonds (the "2007 Bonds") for the purpose of financing and refinancing redevelopment activities with respect to the Redevelopment Project; and

WHEREAS, the Agency has determined to finance additional programs, projects and activities of benefit to the Redevelopment Project, and for that purpose the Agency has authorized the issuance of its not to exceed \$20,000,000 aggregate principal amount of 2011 Subordinate Tax Allocation Bonds, Series A (Davis Redevelopment Project) (the "Series A Bonds") and 2011 Subordinate Taxable Tax Allocation Bonds, Series B (Davis Redevelopment Project) (the "Taxable Series B Bonds" and together with the Series A Bonds, the "Bonds") described herein, which will be secured by a pledge, of and lien on the tax increment revenues on a subordinate basis to the pledge of tax increment revenues for payment of the 2003 Bonds and 2007 Bonds; and

WHEREAS, the Series A Bonds will be issued pursuant to an Indenture of Trust and the Taxable Series B Bonds will be issued pursuant to a First Supplement to Indenture of Trust, each dated as of March 1, 2011 (together, the "Indenture"), by and between the Agency and U.S. Bank National Association, as Trustee, and the Taxable Series B Bonds will be secured and payable on parity with the Series A Bonds; and

WHEREAS, the Bonds will be payable from Subordinate Tax Revenues (as defined in the Indenture); and

WHEREAS, the Agency proposes to sell the Bonds to the City of Davis Public Facilities Financing Authority (the "Authority") which will concurrently sell the Bonds to a bond underwriter to be selected or to a specified buyer through a privately placement, all on the terms and conditions herein set forth and as provided in the form of a Purchase Contract (the "Purchase Contract") on file with the Secretary; and

WHEREAS, the Agency has caused to be prepared two Official Statement describing the Bonds, the preliminary forms of which are on file with the Secretary (the "Official Statement"); and

WHEREAS, the Agency has reviewed the Indenture, the Purchase Contract and the Official Statement, and the Agency wishes at this time to approve the foregoing in the public interests of the Agency and the City of Davis; and

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Davis, as follows:

Section 1. Issuance of Bonds; Approval of Indenture. The Agency hereby authorizes the issuance of the Bonds under and pursuant to the Law and the Indenture, in the aggregate principal amount of not to exceed \$20,000,000, which amount may be allocated among two or more series and issued as tax-exempt or taxable. The Agency hereby approves the Indenture in substantially the form thereof on file with the Secretary together with any additions thereto or changes therein deemed necessary or advisable by the Executive Director of the Agency or the Finance Director of the City, upon advice of the Agency's bond counsel, including, without limitation, the addition to the Indenture of the final interest rates payable with respect to the Bonds and the final principal amount and annual maturities of the Bonds, as contained in the Purchase Contract hereinafter approved, and any insertion or other revision required by the provider, if any, of a municipal bond insurance policy and/or a reserve account credit instrument. Execution of the Indenture shall be deemed conclusive evidence of the Agency's approval of such additions or changes and the approval of the issuance of the Bonds. The Chair and the Executive Director of the Agency, and the Finance Director of the City (each, a "Designated Officer"), each acting alone, are hereby authorized and directed to execute, and the Secretary of the Agency is hereby authorized to attest, the Indenture for and in the name and on behalf of the Agency. The Agency hereby authorizes the delivery and performance of the Indenture.

Section 2. Sale of Bonds. The Agency hereby authorizes the sale of the Bonds to the Authority for concurrent resale by the Authority. The proposed form (which may be in the form of two separate contracts) of bond purchase agreement (the "Purchase Contract"), by and among the Agency, the Authority and an underwriter to be designated by any Designated Officer (the "Underwriter), on file with the Secretary of the Agency is hereby approved with any additions thereto or changes therein deemed necessary or advisable by a Designated Officer. Any of the a Designated Officers, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Agency, to accept the offer of the Authority to purchase the Bonds from the Agency for concurrent resale to the Underwriter, and to accept the offer of the Underwriter to purchase the Bonds from the Authority, subject to the terms and conditions of the Purchase Contract, and

to execute and deliver the Purchase Contract to the Agency and the Underwriter; provided, however, that the aggregate principal amount of the Bonds shall not exceed \$20,000,000 and the true interest cost for the Bonds shall not exceed 10% per annum, with an Underwriter's discount of not more than 2% of the par amount thereof. Approval of any additions or changes in such form shall be conclusively evidenced by such execution and delivery of the Purchase Contract.

Alternatively, the Agency may elect to sell the Bonds to a specified buyer through a private placement. In such event the Purchase Contract shall be modified as appropriate to facilitate such private placement, with any additions thereto or changes therein deemed necessary or advisable by a Designated Officer. Any of the a Designated Officers, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Agency, to accept the offer of the Authority to purchase the Bonds from the Agency for concurrent resale to the private placement purchaser, and to accept the offer of the private placement purchaser to purchase the Bonds from the Authority, subject to the terms and conditions of the Purchase Contract as modified, and to execute and deliver such Purchase Contract to the Agency and the private placement purchaser; provided, that the aggregate principal amount of the Bonds and interest rate on the Bonds meet the parameters set forth in the preceding paragraph. Approval of any additions or changes in such form shall be conclusively evidenced by such execution and delivery of the Purchase Contract.

Section 3. Official Statement. The Agency hereby approves the preliminary Official Statement describing the Bonds, in substantially the form on file with the Secretary, together with any changes therein or additions thereto necessary or convenient to cause the preliminary Official Statement to describe accurately matters pertaining to the Bonds and the Designated Officers, each acting alone, are authorized and directed on behalf of the Agency to review the final form of preliminary Official Statement and to deem the preliminary Official Statement “near final” pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, prior to its distribution by the Underwriter. The Underwriter is hereby authorized to distribute the “near final” preliminary Official Statement in connection with the marketing of the Bonds. The Designated Officers are hereby authorized and directed to approve any changes in or additions to the final form of such Official Statement as the Designated Officers, upon the advice of the Agency’s disclosure counsel, shall deem advisable to cause the final Official Statement to describe accurately the Bonds and matters contained in the Purchase Contract, the Indenture and the related proceedings, and to execute and deliver said final Official Statement for and in the name and on behalf of the Agency and to execute and deliver to the Underwriter a Continuing Disclosure Certificate substantially in the form appended to the final Official Statement.

Section 4. Subordination. The Agency acknowledges that all amounts owed by it to the City, including but not limited to all amounts owed under various owner participation agreements, are subordinate as to Tax Revenues and Subordinate Tax Revenues to the Agency's obligations to pay debt service on the Bonds.

Section 5. Official Action. All actions heretofore taken by the officers and agents of the Agency with respect to the issuance of the Bonds are hereby approved, confirmed and ratified. The Designated Officers and the Secretary of the Agency and any and all other officers of the Agency are hereby authorized and directed, for and in the name and on behalf of the Agency, to do any and all things and take any and all actions, including execution and delivery of any and all

document revisions, assignments, certificates, requisitions (including, but not limited to, requisitions for payment of costs of issuance of the Bonds), agreements (including, but not limited to, agreements in customary form providing for investment of the proceeds of the Bonds, as further provided in the Indenture), 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 sale, issuance and delivery of the Bonds to the Authority and the Underwriter pursuant to the documents approved herein and to obtain municipal bond insurance and a reserve account credit instrument with respect to the Bonds. Whenever in this Resolution any officer of the Agency is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

Section 6. Effective Date. This resolution shall take effect from and after the date of approval and adoption thereof.

PASSED AND ADOPTED by the Redevelopment Agency of the City of Davis on this 18th day of January, 2011 by the following vote:

AYES: Greenwald, Souza, Swanson, Krovoza

NOES: None

Joseph F. Krovoza
Board Chairperson

ATTEST:

Zoe S. Mirabile, CMC
Agency Clerk

RESOLUTION NO. 11-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DAVIS APPROVING
ISSUANCE BY THE REDEVELOPMENT AGENCY OF THE CITY OF DAVIS OF
BONDS WITH RESPECT TO THE DAVIS REDEVELOPMENT PROJECT OF THE
AGENCY**

WHEREAS, the Redevelopment Agency of the City of Davis (the "Agency") proposes to issue its not to exceed \$20,000,000 aggregate principal amount of Davis Redevelopment Project 2011 Subordinate Tax Allocation Bonds in one or two series (which may be taxable and tax-exempt), under and pursuant to the provisions of Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "Law") and other applicable laws, for the purpose of providing funds to finance redevelopment activities of benefit to the Agency's Davis Redevelopment Project; and

WHEREAS, Section 33640 of the Law requires the Agency to obtain the approval of the City Council of the City of Davis prior to issuance of the Bonds; and

WHEREAS, the City Council approves of the issuance of the Bonds as being in the public interests of the City of Davis and of the Agency; and

WHEREAS, the City and the Agency desire to clarify that certain amounts owing to the City by the Agency shall be subordinate as to tax increment revenues pledged to the payment of debt service on the Bonds;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Davis as follows:

Section 1. Approval of Issuance of Bonds. The City Council of the City of Davis approves the issuance of the Bonds by the Redevelopment Agency of the City of Davis, as herein above described.

Section 2. Subordination. Any obligation of the Agency to repay any loans, advances or indebtedness to the City or to make payments to the City pursuant to California Health & Safety Code Section 33607.5 or Section 33607.7 from tax increment revenues allocated to the Redevelopment Project shall be subordinate to the obligation of the Agency to use such tax increment revenues to pay debt service on the Bonds and any obligations issued on a parity with the Bonds.

Section 3. Effective Date. This Resolution shall take effect from and after its adoption.

* * * * *

PASSED AND ADOPTED this 22nd day of February 2011.

AYES:

NOES:

ABSENT:

By: _____
Mayor

SEAL

ATTEST:

By: _____
City Clerk

CITY OF DAVIS PUBLIC FACILITIES FINANCING AUTHORITY

RESOLUTION NO. _____

**RESOLUTION OF THE CITY OF DAVIS PUBLIC FACILITIES
FINANCING AUTHORITY AUTHORIZING THE PURCHASE AND SALE OF
TWO SERIES OF REDEVELOPMENT AGENCY OF THE CITY OF DAVIS,
DAVIS REDEVELOPMENT PROJECT BONDS, UPON CERTAIN TERMS AND
CONDITIONS, APPROVING DISTRIBUTION OF OFFICIAL STATEMENT
RELATING THERETO, AND PROVIDING OTHER MATTERS PROPERLY
RELATING THERETO**

WHEREAS, the City of Davis (the "City") and the Redevelopment Agency of the City of Davis ("the Agency") have entered into a Joint Exercise of Powers Agreement which became effective September 12, 1990 (the "Agreement"), creating the City of Davis Public Facilities Financing Authority (the "Authority"); and

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and the Agreement, the Authority is authorized to purchase bonds issued by the Agency for financing and refinancing public capital improvements; and

WHEREAS, pursuant to the Act and the Agreement the Authority is further authorized to sell bonds so purchased to public or private purchasers at public or negotiated sale; and

WHEREAS, the Authority desires to purchase from the Agency not to exceed \$20,000,000 aggregate principal amount of Redevelopment Agency of the City of Davis Davis Redevelopment Project 2011 Subordinate Tax Allocation Bonds, Series A and 2011 Subordinate Taxable Tax Allocation Bonds, Series B (the "Bonds"), solely from the proceeds received from the Authority's concurrent sale of the Bonds to a bond underwriter to be selected or to be privately placed to a specified buyer; and

WHEREAS, the Agency has caused an Official Statement relating to the Bonds (the "Official Statement") to be submitted to the Authority for approval for distribution to purchasers of the Bonds;

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the City of Davis Public Facilities Financing Authority, as follows:

Section 1. Sale of Bonds. The Board of Directors hereby authorizes the purchase of the Bonds from the Agency, and the concurrent sale of the Bonds to an underwriter to be designated by the Agency (the "Underwriter), or to a specified buyer through a private placement under the provisions of Sections 6589 and 6591(f) of the Government Code of the State of California.

The proposed form of bond purchase agreement (the "Purchase Contract"), by and among the Agency, the Authority and the Underwriter on file with the Secretary of the Authority is hereby approved with any additions thereto or changes therein deemed necessary or advisable by the Chairperson, Executive Director or Treasurer of the Agency or the Finance Director of the City. Any of the Chairperson, Executive Director or Treasurer of the Agency or

the Finance Director of the City, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to accept the offer to purchase the Bonds from the Agency for concurrent resale to the Underwriter, and to accept the offer of the Underwriter to purchase the Bonds from the Authority, subject to the terms and conditions of the Purchase Contract, and to execute and deliver the Purchase Contract to the Agency and the Underwriter; provided, however, that the aggregate principal amount of the Bonds shall not exceed \$20,000,000 and the true interest cost for the Bonds shall not exceed 10% per annum, with an Underwriter's discount of not more than 2% of the par amount thereof. Approval of any additions or changes in such form shall be conclusively evidenced by such execution and delivery of the Purchase Contract.

Alternatively, the Agency may elect to sell the Bonds to a specified buyer through a private placement. In such event the Purchase Contract shall be modified as appropriate to facilitate such private placement, with any additions thereto or changes therein deemed necessary or advisable by the Chairperson, Executive Director or Treasurer of the Agency or the Finance Director of the City. Any of the Chairperson, Executive Director or Treasurer of the Agency or the Finance Director of the City, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to accept the offer to purchase the Bonds from the Agency for concurrent resale to the private placement purchaser, and to accept the offer of the private placement purchaser to purchase the Bonds from the Authority, subject to the terms and conditions of the Purchase Contract as modified, and to execute and deliver such Purchase Contract to the Agency and the private placement purchaser; provided, that the aggregate principal amount of the Bonds and interest rate on the Bonds meet the parameters set forth in the preceding paragraph. Approval of any additions or changes in such form shall be conclusively evidenced by such execution and delivery of the Purchase Contract.

Section 2. Official Statement. The Official Statement relating to the Bonds, together with such amendments and supplements as shall be necessary or convenient to accurately describe the Bonds in accordance with the Purchase Contract, this Resolution and the other related proceedings and documents, is hereby approved for distribution to the purchasers of the Bonds.

Section 3. Official Action. The Chairperson, Executive Director or Treasurer of the Agency or the Finance Director of the City, and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, 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 sale and delivery of the Bonds to the Authority for resale and delivery to the Underwriter or a private placement purchaser pursuant to the Purchase Contract approved herein.

Section 4. Effective Date. This resolution shall take effect from and after the date of approval and adoption thereof.

PASSED, APPROVED AND ADOPTED this 22nd day of February 2011.



**REDEVELOPMENT AGENCY OF THE CITY OF DAVIS
Davis Redevelopment Project
2011 Tax Allocation Bonds
2011 Taxable Tax Allocation Bonds**

FEE SCHEDULE (Cont'd.)

Extraordinary Services

Extraordinary fees are payable to the Trustee or Agent for duties or responsibilities not expected to be incurred at the outset of the transaction, not routine or customary, and not incurred in the ordinary course of Business. Payment of extraordinary fees is appropriate where particular inquiries, events or developments are unexpected, even if the possibility of such things could have been identified at the inception of the transaction.

Account approval is subject to review and qualification. Unless otherwise indicated, fees are subject to change at our discretion and upon written notice. Fees paid in advance will not be prorated. The fees set forth above and any subsequent modifications thereof are part of your agreement. Finalization of the transaction constitutes agreement to the above fee schedule, including agreement to any subsequent changes upon proper written notice. In the event your transaction is not finalized, any related out-of-pocket expenses will be billed to you directly. Absent your written instructions to sweep or otherwise invest, all sums in your account will remain uninvested and no accrued interest or other compensation will be credited to the account. Payment of fees constitutes acceptance of the terms and conditions set forth.

IMPORTANT INFORMATION ABOUT OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

For a non-individual person such as a business entity, a charity, a Trust or other legal entity we will ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

Dated: February 14, 2011

February 3, 2011

Ms. Sandra Sato
Interim Finance Director
City of Davis
23 Russell Blvd.
Davis, CA 95616

Dear Ms. Sato;

We are very pleased to have this opportunity to serve as financial advisor to the City of Davis for the purpose of securing potential financing in advance of Governor Brown's proposed statewide elimination of redevelopment.

We see our role as to develop realistic financing sources that can close within the next 30 days that will maximize the ability of the Agency to fund priority projects. Our basic approach is to canvass both the traditional bond underwriting community and non-traditional private placement sources to find funding under these conditions.

Scope of Services

- 1) Review the legal requirements for the issuance of new debt on a parity with the 2003 and 2007 bonds issues.
- 2) Assist staff in determining the feasibility of securing subordination of the County pass-through
- 3) Prepare a financing schedule to accomplish funding for the Agency prior to the likely adoption date of any legislation eliminating redevelopment or taking away the Agency's tax increment.
- 4) Prepare cash flows for potential bonding for both housing and non housing tax increment, under the assumption of both parity and subordinate debt issuance.
- 5) Prepare cash flows for potential direct loans from a bank or another private funding source for both housing and non-housing tax increment, under the assumptions of both parity and subordinate debt issuance
- 6) Working with staff, develop a basic list of potential Agency projects, including cost and timing for both housing and non-housing projects.

- 7) Submit and process a comprehensive credit review package through Standard & Poor's
- 8) Submit and process a comprehensive credit review package through a potential bank and other private funding sources.
- 9) Prepare a recommendation to staff on the best combination of funding alternatives to accomplish the Agency's project financing goals.
- 10) If bonds are to be issued, assist disclosure counsel in preparing the disclosure document
- 11) Negotiate an appropriate "unwind" provision into both bond and direct loan funding structures
- 12) Assist the City in selected an underwriter to sell bonds, should that option be selected
- 13) Present financing options to the City Council/Agency board once a bond rating and/or a direct loan funding commitment has been obtained.
- 14) Assist bond counsel and staff in closing a bond issue or a direct loan in a timely fashion.

Compensation

We propose to be compensated according the following matrix:

	Non Housing	Housing
Bond Issue	\$55,000	\$30,000
Direct Loan	\$45,000	\$25,000

Our fee is fully contingent upon a successful closing of the bond transaction and includes our out of pocket expenses.

Conclusion

We are again very pleased to have this opportunity to be of service to the City of Davis. We are ready to begin work now. References are available upon request. Please feel free to call me with any questions on our proposal.

Very truly yours;



Mark Northcross
Principal



JONES HALL

650 California Street
18th Floor
San Francisco, CA 94108
t. 415.391.5780
f. 415.391.5784

February 8, 2011

Ms. Sandra Sato
Interim Finance Director
City of Davis
23 Russell Blvd
Davis, CA 95616

RE: Proposal to Provide Bond and Disclosure Counsel Services for the Redevelopment Agency of the City of Davis

Dear Sandra:

You have requested that I submit a letter estimating bond counsel and disclosure counsel fees for a bond issuance for the Redevelopment Agency. At this time it is unknown if it will be a public sale or a private placement of bonds, and I believe there is still a possibility of a private party loan transaction. Additionally, it is unknown if there will be a housing component.

I have prepared the base bond documents for a bond sale, as well as two Preliminary Official Statements, one for housing and one for non-housing. These documents were the minimum the Agency needed to have prepared for submission to Standard & Poor's to receive a rating.

As you may know, we don't charge by the hour, which is the norm for bond financings. Instead, our fees are flat fees and contingent upon closing. For tax allocation bond financings, we set a fee per series of bonds based on the following formula, which is consistent with fees for your past issues we worked on:

- 1% of the first \$1,000,000 of principal
- 1/2% of the next \$5,000,000 of principal
- 1/4% of the next \$15,000,000 of principal
- 1/8% of the remaining principal

For Disclosure Counsel in a public offering we typically charge \$25,000 for this type of financing, however I can lower the fee to \$20,000 since we are also Bond Counsel. If the bonds are privately placed we may or may not need a Private Placement Memorandum, if so, the fee is estimated to be \$15,000. For two Official Statement and/or Private Placement Memorandum documents, a separate charge applies for each document.



The above fees include our usual opinions and are contingent upon closing.

As is the norm our fee includes all internal costs, additional charges for costs are only applicable to out-of-pocket expenses paid to third party vendors (typically, assessed valuation data and transcript charges to prepare CD's). Our fees include all reasonable follow-up work done at the request of the Agency, so that the Agency pays only once, at closing of the financing.

Please let me know if you have any questions or would like to talk about any part of it.

Very truly yours,

A handwritten signature in black ink, appearing to read "David Fama".

David T. Fama, Esq.

FA FRASER & ASSOCIATES

Redevelopment and Financial Consulting

225 Holmfirth Court
Roseville CA 95661

Phone: (916) 791-8958
FAX: (916) 791-9234

February 3, 2011

Ms. Sandra Sato
Acting Finance Director
City of Davis
23 Russell Blvd.
Davis, CA 95616

Dear Ms. Sato:

Per our discussion, Fraser & Associates is pleased to provide this proposal for bond services to the Davis Redevelopment Agency (Agency). The Agency is considering the issuance of tax allocation bonds for the Davis Redevelopment Project Area (Project Area), and is requesting that Fraser & Associates provide fiscal consulting services.

Given the time frame for the issuance, we will not be providing our typical Fiscal Consultant Report for the transaction. Rather, we will provide the following information for use in the Official Statement, and assist with other services:

1. Tax Increment Projections
2. Top 10 taxpayers
3. Historical revenue and assessed value trends.
4. Review documents (Official Statement; Indenture of Trust; etc.).
5. Bond Rating Agency Conference call and follow up.

Services shall be compensated on the basis of a fixed fee of Ten Thousand Dollars (\$10,000). To the extent additional services are requested these shall be compensated on a time and material basis in accordance with our standard hourly rates:

President	\$200 per hour
Associate	140 per hour
Secretarial/Administrative	60 per hour

FA FRASER & ASSOCIATES

Ms. Sato
02/03/11
Page 2

We will also credit against the fixed fee payment approximately \$2,000 worth of services provided in January 2011. Payment can be made from the cost of issuance account. If the bond issue is not completed, Fraser & Associates will be compensated for the work effort expended, inclusive of the January billing amount.

Fraser & Associates appreciates the opportunity to submit this proposal and looks forward to continuing our relationship with the Agency. Please let me know if you have any questions.

Sincerely,



Donald J. Fraser

Attachment 5 Redevelopment Agency Priority Projects (As Identified February 15, 2011)			
Reference	Project / Source	Anticipated Funds Required	Status
ED1	Various Existing Projects	\$100,000 – Tankhouse Renovation \$145,000 Central Park \$50,000 US Bicycling Hall of Fame \$50,000 – Downtown lighting	Structure relocated and structurally reinforced. Renovation plans in process of bidding. Construction to be complete Spring 11 CC approved proceeding with plans and specs. On 2/15. construction anticipated Fall 11. Proposal received from USBHoF for museum and visitor attraction improvements. Scheduled for March 1 st Agency meeting for consideration. Design and installation of enhanced lighting improvements underway. Completion Spring 11.
ED2	Hotel / Conference Facility	\$4-10 million (loan)	Working with two hoteliers to identify options, need for Agency assistance. Concept drawings and project proformas have been drafted. Draft business terms to be presented to Agency Board in March.
ED3	Downtown private mixed use development	\$3-5 million	Proposed exclusive right to negotiate recently received by prospective development partner for redevelopment of several downtown properties with mixed use and public parking.
ED4	Downtown music / entertainment venue	\$1 million	Agency has been approached by a prospective operator to renovate a building in Downtown and create a live music venue.
	Downtown parking structure	\$13-16 million	Concept plan prepared for 4 to 5-level structure at 3/4/E/F. Project could advance on city owned lot immediately pending City Council Direction or continue to try and negotiate with adjacent property owners for joint project.
	Richards / Olive / Depot	\$200,000 Prelimin.	Staff soliciting qualifications / proposals from

Attachment 5 Redevelopment Agency Priority Projects (As Identified February 15, 2011)			
Reference	Project / Source	Anticipated Funds Required	Status
	access improvements	Design/Engineering Construction TBD	qualified firms. Consultant contract for Council/Board consideration planned for March 15 th .
	3 rd Street Corridor Improvements	\$60,000 Preliminary Design \$150,000 construction Documents \$1.5 million construction	Preliminary design phase initiated December 2010. Preferred concept scheduled for DD consideration in May. Construction documents to be prepared summer 2011. SACOG grant being sought for construction. Local match 10-20% anticipated.
H1	Mace Parke Closeout	\$615,000	Finalizing agreement with CHOC, anticipating payment of most funds within 1-2 weeks
H2	New Harmony	\$5,950,000 committed (reduced by approximately \$1,500,000 from HOME funds to-date), additional request of approximately \$3 million pending	Staff will execute loan documents on existing commitment by March 2011. New Harmony is working to obtain necessary funding to start construction, amongst frozen state housing programs and in an extremely competitive tax credit financing environment. A request for additional funding will be heard in March by the Social Services Commission and Council. Project could start construction in Fall 2011, with necessary funds.
H3	Pacifico Rehabilitation	Estimated at \$2 million	Predevelopment work will be underway by March, with construction estimated to start in early 2012
H4	Downpayment Assistance Loan Program	Proposing to start with \$500,000, plus use of identified in-lieu fees	Discussion of downpayment assistance program at Social Services Commission in February 2010 and part of affordable housing workshop at City Council in March 2011

Attachment 5 Redevelopment Agency Priority Projects (As Identified February 15, 2011)			
Reference	Project / Source	Anticipated Funds Required	Status
H5	Rehabilitation of Sterling Court and Farmworker Housing	Sterling Court requesting \$89,815 Farmworker Housing requesting \$132,586	Rehabilitation requests received, work could begin by Summer 2011
H6	Construction of 2990 Fifth Street- Mace Parke Project Land Dedication Site	Estimated at \$3 million, leveraging other funding	Will soon have predevelopment documents and could proceed with a Request for Qualifications to identify a project developer for the site.
H7	Construction of 4100 Hackberry – Woodbridge Land Dedication Site	Estimated at \$3,000,000	Would need to initiate a new Request for Proposals, identify a developer, and start predevelopment work.
H8	Tax Credit Partnership Buyouts through 2015	Estimated at \$500,000 total	These 4 projects of 212 units are within Windmere I, Windmere II, Twin Pines, and Terracina.
H9	Agency housing program operations, administration, and smaller projects	Averages \$500,000 per year	These items could be funded through bond proceeds or annual Agency revenue, after debt payments.

**City of Davis
2011 Tax Allocation Bonds
Debt Service Coverage Analysis**

Debt Coverage Analysis for Senior and Subordinated Non- Housing Debt						
Fiscal Year Ending	Pledged Revenue	Existing Debt Obligation	Combined County and 1290 Pass Throughs	Est. Subordinated Debt	Total Pledged Revenue Obligations	Debt Coverage
2011	8,112	1,368	3,299	1,500	6,167	1.32
2012	8,112	1,368	3,299	1,500	6,167	1.32
2013	8,112	1,362	3,299	1,500	6,161	1.32
2014	8,112	1,369	3,299	1,500	6,168	1.32
2015	8,112	1,371	3,299	1,500	6,170	1.31
2016	8,112	1,371	3,299	1,500	6,170	1.31
2017	8,112	1,370	3,299	1,500	6,169	1.32
2018	8,112	1,362	3,299	1,500	6,161	1.32
2019	8,112	1,364	3,299	1,500	6,163	1.32
2020	8,112	1,364	3,299	1,500	6,163	1.32
2021	8,112	1,368	3,299	1,500	6,167	1.32
2022	8,112	1,365	3,299	1,500	6,164	1.32
2023	8,112	1,371	3,299	1,500	6,170	1.31
2024	8,112	1,365	3,299	1,500	6,164	1.32
2025	8,112	1,371	3,299	1,500	6,170	1.31
2026	8,112	1,371	3,299	1,500	6,170	1.31
2027	8,112	1,367	3,299	1,500	6,166	1.32
2028	8,112	1,367	3,299	1,500	6,166	1.32
2029	8,112	1,364	3,299	1,500	6,163	1.32
2030	8,112	1,365	3,299	1,500	6,164	1.32
2031	8,112	1,198	3,299	1,500	5,997	1.35
2032	8,112	1,201	3,299	1,500	6,000	1.35
2033	8,112	1,192	3,299	1,500	5,991	1.35
2034	8,112	-	3,299	1,500	4,799	1.69
2035	8,112	-	3,299	1,500	4,799	1.69
2036	8,112	-	3,299	1,500	4,799	1.69
2037	8,112	-	3,299	-	3,299	2.46