

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



443

FROM: Executive Office

SUBMITTAL DATE:
January 27, 2011

SUBJECT: Subordination Agreement with the March Joint Powers Redevelopment Agency

RECOMMENDED MOTION: That the Board approve the attached Subordination Agreement between the March Joint Powers Redevelopment Agency and the County of Riverside

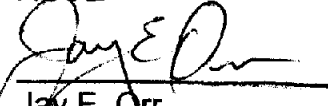
BACKGROUND: The March Joint Powers Redevelopment Agency (the "Agency") adopted the March Air Force Base Redevelopment Project (the "Project Area") on July 10, 1996. The Agency is planning to issue tax allocation bonds (the "2011 Bonds") within the next month, secured by tax increment revenues from the Project Area. The net proceeds from the 2011 Bonds will be used to fund a portion of the costs associated with the Van Buren Interchange improvement project.
(CONTINUED)

FORM APPROVED COUNTY COUNSEL
BY: Dalea Gardner 2/11/11 DATE: 2/11/11


Dean Deines, Deputy County Executive Officer

FINANCIAL DATA	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	N/A

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:
APPROVE
BY: 
County Executive Office Signature
Jay E. Orr

- Policy
- Policy
- Consent
- Consent

Dept. Recomm.:
Per Exec. Ofc.:

The Agency and the County entered into a Cooperation Agreement dated August 20, 1996 (the "Cooperation Agreement"), which provides for certain pass through payments (the County Pass Throughs") to the County (including Library and Fire). The Agency plans on issuing within the next few weeks, approximately \$23 million in bonds to improve the Van Buren and Interstate 215 interchange. In order to enhance the Agency's ability to obtain an investment grade rating on the 2011 Bonds, the Agency is requesting that the County subordinate its receipt of pass through payments under the Cooperation Agreement to the debt service payments on the 2011 Bonds.

Projected tax increment (net of amounts set aside for low and moderate income housing projects, statutory pass through payments to other taxing entities, and County administration fees) pledged to debt service is estimated to cover debt service by 1.83 times in FY 2011-12, not including the County Pass Throughs. The projected revenues remaining after debt service are sufficient to cover payment of the County Pass Throughs and provide additional surplus revenues to the Agency.

The assessed valuation of the Project Area declined by approximately \$75 million from FY 2009-10 to FY 2010-11. Approximately \$43 million of that decrease was attributable to the elimination of unsecured equipment from the now vacated DHL building at March AFB, which is within the Project Area. In order to conservatively estimate future tax increment revenues, the Agency has assumed a further decrease of assessed valuation in the amount of \$34.7 million for FY 2011-12, and has sized its 2011 Bonds based on such projected FY 2011-12 revenues.

In the unlikely event that the Agency would need to defer payment of the County Pass Throughs in order to make debt service payments on the 2011 Bonds, the Subordination Agreement provides for future repayment to the County of all deferred amounts, with accrued interest.

**SUBORDINATION AGREEMENT BETWEEN
THE MARCH JOINT POWERS REDEVELOPMENT AGENCY
AND THE COUNTY OF RIVERSIDE**

THIS SUBORDINATION AGREEMENT (the "Agreement") is made and entered into as of this ____ day of _____, 2011, by and between the MARCH JOINT POWERS REDEVELOPMENT AGENCY (the "Agency") and the COUNTY OF RIVERSIDE (the "County").

WITNESSETH:

WHEREAS, the March Joint Powers Commission has heretofore adopted and approved a Redevelopment Plan (the "Redevelopment Plan") for the March Air Force Base Redevelopment Project Area, (the "Project") by Ordinance No. JPA-96-2 enacted on July 17, 1996; and

WHEREAS, pursuant to article XVI, section 16, of the California Constitution, Sections 33670, *et seq.*, of the California Health and Safety Code and the Redevelopment Plan, increases in the assessed values of the property within the area of the Project (the "Project Area"), above the sum of the assessed values as showing on the assessment rolls for the applicable base year will result in that portion of property taxes levied each year on such increase in assessed values, less amounts received by affected taxing agencies pursuant to section 33676 of the Community Redevelopment Law, being paid to the Agency as tax increments ("Tax Increments") to pay the principal of and interest on loans, moneys advanced to or indebtedness incurred by the Agency to finance or refinance, in whole or in part, redevelopment in accordance with the Redevelopment Plan; and

WHEREAS, section 33401 of the Community Redevelopment Law provides that a redevelopment agency may pay to any taxing agency any amounts of money which, in such agency's determination, are necessary and appropriate to alleviate any financial burden or detriment caused to such taxing agency by a redevelopment project; and

WHEREAS, section 33492.86(c) of the Community Redevelopment Law provides that the Agency shall be required to make those payments required under the Cooperative Agreement (the "Cooperative Agreement") entered into among the County, the March Joint Powers Authority, and the Agency dated August 20, 1996; and

WHEREAS, pursuant to the Cooperative Agreement, the County is receiving annual pass-through payments of a portion of Tax Increment on behalf of several divisions within the County including County Free Library and County Fire (the "Pass-Through's"); and

WHEREAS, the Agency now intends to issue its March Air Force Base Redevelopment Project Tax Allocation Bonds, Series 2011A (the "2011 Bonds") to provide funds for such redevelopment activities; and

WHEREAS, the Agency's payment obligations under the 2011 Bonds are secured by Tax Increments, and

WHEREAS, the Agency now desires that the County and its respective divisions subordinate their interests in their share of the Pass-Through's in order to provide additional security for the 2011 Bonds, it being understood by the Agency and the County that such subordination is intended solely to provide additional security for the 2011 Bonds and that neither the Agency nor the County currently anticipate that the Agency will ever require the use of the Pass-Through's for the payment of debt service or credit support payments on the 2011 Bonds.

NOW, THEREFORE, for and in consideration of the foregoing and for other consideration the receipt and sufficiency of which is hereby acknowledged, the Agency and the County do hereby agree as follows:

Section 1. Definitions. For Purposes of this Agreement, the following terms shall have the following meanings:

"Bonds" means the 2011 Bonds.

"Tax Increments" means the portion of property taxes levied each year on increases in the assessed values of the property within the area of Project above the sum of the assessed values as shown on the assessment rolls for the applicable base year, less amounts received by affected taxing agencies pursuant to section 33676 of the California Community Redevelopment Law, being California Health and Safety Code sections 33000, et seq.

Capitalized terms used herein and not otherwise defined in this Section 1 shall have the meanings assigned to them elsewhere in this Agreement.

Section 2. Receipt of Evidence of Ability to Pay. The County hereby acknowledges receipt of evidence satisfactory to the County demonstrating the ability of the Agency to repay the Bonds without demand being made on the Pass-Through's.

Section 3. Subordination. The County and its respective divisions hereby agrees to subordinate their interests in the Pass-Throughs and to allow the Agency to pledge all or any portion of the Tax Increments otherwise payable to the County and its respective divisions under the Cooperative Agreement in order to secure the repayment of the Bonds. The County hereby agrees that it will direct the County Auditor-Controller not to withhold from the Tax Increments for payment to the County and its respective divisions made pursuant to the Agreement, any portion of the Tax Increments needed by the Agency to make payments on the Bonds.

Any demand authorized by this Agreement and made upon the payments due to the County under the terms of the Cooperative Agreement shall not affect the obligation of the Agency to the County thereon. The Agency shall repay any such demand together with interest at the rate of 6 percent per annum. The Agency agrees to use its best efforts in scheduling the expenditures of its funds pledged to secure the Bonds so as to avoid a demand on payments due to the County subordinated by this Agreement.

Section 4. Limitation. The agreement to subordinate by the County in Section 3 of this Agreement to secure the repayment by the Agency of the Bonds shall not be deemed to be an agreement by the County to subordinate its interests in the Pass-Through's to any debt other than the Bonds. In addition, the interests of the County in the Pass-Through's shall be superior to any other debt or payment of the Agency other than the Bonds unless and until the County specifically agrees to subordinate its interests in the Pass-Through's to that other debt or payment.

Section 5. Term of Subordination Agreement. This Agreement shall remain in full force and effect for so long as any of the Bonds shall be outstanding.

IN WITNESS WHEREOF, the March Joint Powers Redevelopment Agency and the County of Riverside have caused this Agreement to be executed on their behalf by their duly authorized representatives.

MARCH JOINT POWERS
REDEVELOPMENT AGENCY

ATTEST:

By: _____
Its: Secretary

By: _____
Its: _____

APPROVED AS TO FORM

ATTEST:

By: _____
Its: Clerk of the Board of Supervisors

By: _____
Its: Agency Counsel

COUNTY OF RIVERSIDE

By: _____
Its: _____

APPROVED AS TO FORM

By: Dale A. Gardner
Its: County Counsel