

**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: Dale A. 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:
Jay E. Orr
County Executive Office Signature

Policy
 Policy
 Consent
 Consent

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Buster and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
 Nays: None
 Absent: None
 Date: February 8, 2011
 xc: EO

Kecia Harper-Ihem
Clerk of the Board
By:
Deputy

FEB 11 11:33

Prev. Agn. Ref.: ATTACHMENTS FILED WITH THE CLERK OF THE BOARD | **District:** 5 | **Agenda Number:**

3.9

Dept's Recomm.:
Per Exec. Ofc.:

Subordination Agreement with the March Joint Powers Redevelopment Agency
Page 2

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.

WHEN DOCUMENT IS FULLY EXECUTED RETURN
CLERK'S COPY
to Riverside County Clerk of the Board, Stop 1010
Post Office Box 1147, Riverside, Ca 92502-1147
Thank you.

MARCH JOINT POWERS
REDEVELOPMENT AGENCY

ATTEST:

By: _____
Its: **Secretary**

By: _____
Its: _____

APPROVED AS TO FORM

ATTEST:

By: *Kecia Harper-Ihem*, Deputy for
Its: Clerk of the Board of Supervisors

By: _____
Its: **Agency Counsel**

KECIA HARPER-IHEM

COUNTY OF RIVERSIDE

By: *Bob Buster*
Its: **CHAIRMAN, BOARD OF SUPERVISORS**
BOB BUSTER

APPROVED AS TO FORM

By: *Dale A. Gardner*
Its: **County Counsel**

**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 16th day of February 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:

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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

By: Lori M. Stone
Lori M. Stone
Its: Executive Director

ATTEST:

By: [Signature]
Its: Clerk of the March RDA

APPROVED AS TO FORM

By: [Signature]
Its: Agency Counsel

COUNTY OF RIVERSIDE

ATTEST:

By: _____
Its: Clerk of the Board of Supervisors

By: _____
Its: _____

APPROVED AS TO FORM

By: _____
Its: County Counsel

March Air Force Base Redevelopment Project

PROJECTED TAX REVENUES AND ESTIMATED DEBT SERVICE COVERAGE (NON-HOUSING)

FY	Incremental Assessed Valuation (1)	Gross Tax Increment Revenues (2)	Statutory Pass Through Payments (3)	Low/Moderate Income Housing Fund (4)	County Admin. Fees (5)	Estimated Appeals Reduction (6)	Pledged Tax Revenues	2011 Bonds (non-housing) Debt Service	Projected Debt Service Coverage	Pass Through to County Entities (Subordinate)	Net Surplus Tax Increment
10-11	571,868,584	5,718,686	760,825	1,143,737	85,780	147,424	3,580,919	1,020,203	3.51	1,605,974	954,742
11-12	537,110,890	5,371,109	714,583	1,074,222	80,567		3,501,737	1,917,864	1.83	1,508,364	75,509
12-13	542,722,766	5,427,228	722,049	1,085,446	81,408		3,538,324	1,916,758	1.85	1,524,124	97,442
13-14	554,058,755	5,540,588	737,131	1,108,118	83,109		3,612,230	1,918,190	1.88	1,555,959	138,082
14-15	565,621,465	5,656,215	752,514	1,131,243	84,843		3,687,614	1,917,164	1.92	1,588,430	182,020
15-16	577,415,428	5,774,154	768,205	1,154,831	86,612		3,764,506	1,918,332	1.96	1,621,551	224,623
16-17	589,445,271	5,894,453	784,210	1,178,891	88,417		3,842,936	1,917,019	2.00	1,655,334	270,582
17-18	601,715,710	6,017,157	818,522	1,203,431	90,257		3,904,947	1,918,405	2.04	1,689,793	296,748
18-19	614,231,559	6,142,316	848,822	1,228,463	92,135		3,972,896	1,917,335	2.07	1,724,942	330,619
19-20	626,997,724	6,269,977	879,729	1,253,995	94,050		4,042,203	1,919,205	2.11	1,760,793	362,206
20-21	640,019,213	6,400,192	911,253	1,280,038	96,003		4,112,897	1,918,697	2.14	1,797,361	396,839
21-22	653,301,131	6,533,011	943,409	1,306,602	97,995		4,185,005	1,920,847	2.18	1,834,660	429,498
22-23	666,848,688	6,668,487	976,207	1,333,697	100,027		4,258,555	1,917,086	2.22	1,872,706	468,763
23-24	680,667,196	6,806,672	1,009,661	1,361,334	102,100		4,333,576	1,921,414	2.26	1,911,512	500,650
24-25	694,762,074	6,947,621	1,043,785	1,389,524	104,214		4,410,098	1,918,194	2.30	1,951,095	540,809
25-26	709,138,850	7,091,388	1,078,590	1,418,278	106,371		4,488,150	1,917,745	2.34	1,991,469	578,936
26-27	723,803,161	7,238,032	1,114,092	1,447,606	108,570		4,567,762	1,919,747	2.38	2,032,651	615,365
27-28	738,760,758	7,387,608	1,150,304	1,477,522	110,814		4,648,968	1,921,579	2.42	2,074,656	652,733
28-29	754,017,508	7,540,175	1,187,241	1,508,035	113,103		4,731,797	1,920,066	2.46	2,117,501	694,230
29-30	769,579,392	7,695,794	1,236,230	1,539,159	115,437		4,804,969	1,920,208	2.50	2,161,204	723,557
30-31	785,452,514	7,854,525	1,286,198	1,570,905	117,818		4,879,604	1,921,671	2.54	2,205,780	752,153
31-32	801,643,098	8,016,431	1,337,166	1,603,286	120,246		4,955,732	1,919,119	2.58	2,251,248	785,365
32-33	818,157,494	8,181,575	1,389,154	1,636,315	122,724		5,033,382	1,921,559	2.62	2,297,625	814,198
33-34	835,002,178	8,350,022	1,442,181	1,670,004	125,250		5,112,586	1,919,245	2.66	2,344,930	848,411
34-35	852,183,756	8,521,838	1,496,269	1,704,368	127,828		5,193,373	1,917,179	2.71	2,393,181	883,014
35-36	869,708,965	8,697,090	1,551,439	1,739,418	130,456		5,275,777	1,920,020	2.75	2,442,397	913,360
36-37	887,584,679	8,875,847	1,607,712	1,775,169	133,138		5,359,828	1,917,089	2.80	2,492,597	950,142
37-38	905,817,907	9,058,179	1,665,110	1,811,636	135,873		5,445,561	1,918,387	2.84	2,543,801	983,372
38-39	924,415,799	9,244,158	1,723,656	1,848,832	138,662		5,533,008	1,918,235	2.88	2,596,029	1,018,743
39-40	943,385,649	9,433,856	1,783,374	1,886,771	141,508		5,622,204	1,921,292	2.93	2,649,302	1,051,609
40-41	962,734,896	9,627,349	1,844,285	1,925,470	144,410		5,713,184	1,916,881	2.98	2,703,641	1,092,662

(1) Incremental valuation over Base Year valuation (\$24,076,708) based on actual FY 10-11 AV, with estimated reduction of \$34,757,694 in FY 11-12 for resale activity, 1% growth in FY 12-13, and 2% annual growth thereafter.
(2) Gross Tax Increment based on a tax rate of 1.00%.
(3) Section 33607.5 Pass Through Payments (does not include subordinate County Agreement Payments).
(4) Based on 20% of Gross Tax Increment Revenues.
(5) Estimated based on 1.5% of Gross Tax Increment Revenues.
(6) Estimated revenue reduction from pending assessment appeals, based on historical appeals success rate.
(7) Estimated annual debt service (non-housing) on the Bonds.

JOINT POWERS COMMISSION
OF THE
MARCH JOINT POWERS REDEVELOPMENT AGENCY

MJPRA Operations - Consent Calendar
Agenda Item No. 9c (2)

Meeting Date: February 16, 2011

Action: **APPROVE A SUBORDINATION AGREEMENT BETWEEN THE MARCH JOINT POWERS REDEVELOPMENT AGENCY AND THE COUNTY OF RIVERSIDE**

Proposed Motion: Move to approve a Subordination Agreement between the March Joint Powers Redevelopment Agency and the County of Riverside and authorize the Executive Director to execute the Agreement.

Background:

The March Joint Powers Redevelopment Agency ("Agency") adopted the March Air Force Base Redevelopment Project ("Project Area") on July 10, 1996. The Agency is planning to issue tax allocation bonds ("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.

The March Joint Powers Authority, the Agency, and the County entered into a Cooperation Agreement dated August 20, 1996 ("Cooperation Agreement"), which provides for certain pass through payments ("County Pass Throughs") to the County (including Library and Fire). 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.

The attached Exhibit A details the projected net tax increment revenues generated by the Project Area, and compares such revenues to the projected debt service 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.

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 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.

Attachments: 1) Subordination Agreement.
 2) Exhibit A.