

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

450



**FROM:** Economic Development Agency

**SUBMITTAL DATE:**  
February 3, 2011

**SUBJECT:** Resolution Number 2011-048 Approving Issuance by the Redevelopment Agency for the County of Riverside Tax Allocation Housing Bonds

**RECOMMENDED MOTION:** That the Board of Supervisors adopt Resolution Number 2011-048 approving issuance by the Redevelopment Agency for the County of Riverside of tax allocation housing bonds, Series A, and taxable tax allocation housing bonds, Series A-T.

**BACKGROUND:** The Redevelopment Agency for the County of Riverside proposes to issue its not to exceed \$35,000,000 combined initial aggregate principal amount of its 2011 Tax Allocation Housing Bonds, Series A, and its 2011 Taxable Tax Allocation Housing Bonds, Series A-T, for the purpose of financing low- and moderate-income housing of benefit to the Agency's various redevelopment project areas.

*Robert Field*

Robert Field  
Assistant County Executive Officer/EDA

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2011/12

**COMPANION ITEM ON BOARD OF DIRECTORS AGENDA:** Yes

<b>SOURCE OF FUNDS:</b> RDA Low and Moderate Income Housing	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:** APPROVE

*Jennifer L. Sargent*  
BY: Jennifer L. Sargent

County Executive Office Signature

3)

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Benoit, seconded by Supervisor Tavaglione 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 15, 2011  
xc: EDA, RDA, PFA

Kecia Harper-Ihem  
Clerk of the Board  
By: *Kecia Harper-Ihem*  
3.41  
Deputy

(Comp. Item 4.5 & 5.1)

**Prev. Agn. Ref.:** 350 02/08/2011 **District:** ALL **Agenda Number:**

FORM APPROVED COUNTY COUNSEL  
BY: AMY C. WILLIS  
DATE: 02/03/2011  
Departmental Concurrence

Dep't Recomm.:  Consent  Policy  Policy  
Per Exec. Ofc.:  Consent  Policy  Policy

MINUTES OF THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



3.41

(1)

On motion of Supervisor Tavaglione, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the recommendation from the Economic Development Agency regarding Adoption of Resolution 2011-048 Approving Issuance by the Redevelopment Agency for the County of Riverside Tax Allocation Housing Bonds is approved as recommended.

(2)

On Motion of Supervisor Buster, seconded by Supervisor Stone and duly carried by unanimous vote, IT WAS ORDERED that the above matter be reconsidered.

I hereby certify that the foregoing is a full true, and correct copy of an order made and entered on \_\_\_\_\_ February 15, 2011 \_\_\_\_\_ of Supervisors Minutes.

WITNESS my hand and the seal of the Board of Supervisors  
Dated: February 15, 2011  
Kecia Harper-Ihem, Clerk of the Board of Supervisors, in  
and for the County of Riverside, State of California.

(seal)

By: \_\_\_\_\_ Deputy

AGENDA NO.  
3.41

xc: EDA, RDA, PFA

2  
3 RESOLUTION NO. 2011-048

4  
5 RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF  
6 RIVERSIDE APPROVING ISSUANCE BY THE REDEVELOPMENT AGENCY FOR  
7 THE COUNTY OF RIVERSIDE OF NOT TO EXCEED \$35,000,000 COMBINED  
8 INITIAL AGGREGATE PRINCIPAL AMOUNT OF REDEVELOPMENT AGENCY  
9 FOR THE COUNTY OF RIVERSIDE 2011 TAX ALLOCATION HOUSING BONDS,  
10 SERIES A, AND REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE  
11 2011 TAXABLE TAX ALLOCATION HOUSING BONDS, SERIES A-T

12  
13 WHEREAS, the Redevelopment Agency for the County of Riverside (the  
14 "Agency") proposes to issue its not to exceed \$35,000,000 combined initial aggregate  
15 principal amount of its 2011 Tax Allocation Housing Bonds, Series A, and its 2011  
16 Taxable Tax Allocation Housing Bonds, Series A-T (collectively, the "Bonds"), under  
17 and pursuant to the provisions of Part 1 of Division 24 (commencing with Section  
18 33000) of the Health and Safety Code of the State of California (the "Law") and other  
19 applicable laws, for the purpose of financing low- and moderate- income housing of  
20 benefit to the Agency's various redevelopment projects;

21 WHEREAS, Section 33640 of the Law requires the Agency to obtain the  
22 approval of the Board of Supervisors of the County of Riverside prior to issuance of the  
23 Bonds; and

24 WHEREAS, the Board of Supervisors approves of the issuance of the Bonds as  
25 being in the public interests of the County of Riverside and of the Agency;

26 NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the  
27 County of Riverside as follows:

28 ///



# CLERK OF THE BOARD

*Kecia Harper-Ihem*



## Memorandum

February 14, 2011

TO: Board of Supervisors

FROM: Kecia Harper-Ihem, Clerk of the Board

RE: Debt Advisory Committee (DAC) Report as it Relates to items 3.41, 4.5, 5.1 of February 15, 2011

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On February 8, 2011 the Board of Supervisors approved items 3.50, 4.4 and 5.1. Subsequently, it was noted that those items needed to be reviewed by the Debt Advisory Committee. The meeting of the DAC took place February 10, 2011 and the report is attached herewith

02-15-2011  
3.41



# MEMORANDUM

EXECUTIVE OFFICE, COUNTY OF RIVERSIDE

**Bill Luna**

County Executive Officer

**Jay E. Orr**

Assistant County Executive Officer

**TO:** Supervisors

**FROM:** Christopher Hans, DAC Chair

**DATE:** February 10, 2011

**RE:** Split Vote in Favor of RDA Bonds

Before the Board on February 15 for consideration and approval are two separate RDA bond issuances (item 4.5). The items were reviewed at the Debt Advisory Committee (DAC) on Thursday, February 10. Per Board policy, unless the committee unanimously supports a proposal, the Board should be given an explanation of the minority opinion. A brief report from me as the committee's chair follows.

By a split vote (3 for, 2 against, and 1 abstention) the committee narrowly supported approval of the RDA bonds before the Board on 2/14/01.

As financial advisor, C.M. DeCrisis was hired by RDA both to provide logistical support and to identify potential risks. They provided a lengthy list of risks (see attached). The discussion of the risks led to a lengthy debate which ultimately resulted in the split vote mentioned above.

Those in favor agreed:

- the worthy nature of the projects that would be built using proceeds was demonstrated
- the risks were significant
- the cash flow assumptions left enough cushion to make the risks tolerable

One dissenting opinion had the following main concern:

- the rushed process did not allow adequate time for review

The second dissenting opinion had several main concerns:

- excessive expected borrowing costs – in the range of 7-9% are enough to warrant a delay
- there is a reasonable chance (should property values fall more than 2%) that RDA would be unable to make debt service payments
- issuing poorly rated bonds puts the County's reputation and credit rating at risk; though RDA is legally separate, the public and rating agencies might not see the distinction

# Risks of Financing Program

- ▶ Legislative Risk and Possible Impact on Agency
- ▶ Subordinated Pass – Through Agreement Risks to Bond Program
- ▶ Rating Downgrades on Existing Bonds.
- ▶ High debt levels and associated Risk for Subordinated Pass Through Payments and Bond Debt Service
- ▶ High Interest Rates – tax allocation credit spreads to other bonds are high
- ▶ Bond Program has risk to future bonding flexibility if State budget proposal on RDAs fails to be enacted
- ▶ Headline Risk of Bond Program – Rushing to Market
- ▶ Risk that Bonds are sold but not closed



# MEMORANDUM

## RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

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*Robert Field*  
*Assistant County Executive Officer/EDA*

**TO:** Board of Supervisors

**FROM:** Robert Field  
Assistant County Executive Officer / EDA

**DATE:** February 14, 2011

**SUBJECT:** Minority Opinion Response (Items 3.40; 4.5 and 5.1)

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### Response to DAC Dissenting Opinion

1. **"The rushed process did not allow for adequate time for review."**

The submission to the debt advisory commission was provided 8 days in advance of the meeting, in accordance with DAC policy. No questions were forwarded from the committee members prior to the meeting. It was also offered to hold additional meetings later in the day to provide more time. It is not clear that there were any unanswered questions that could have resulted in a different vote.

2. **"The excessive expected borrowing costs – in the range of 7 to 9% are enough to warrant a delay."**

The cost of issuing the housing bonds is less than 2% of the amount borrowed and is not appreciably higher than is normally the case. The expected interest cost relative to other types of bonds is higher by approximately 1% due to state budget headline risk and concerns over real estate in California in General. This puts bond interest rates in the 7 to 9% area. There is no assurance that a delay in issuing the bonds would lower interest cost. If the interest rate spread narrowed between tax allocation bonds and other types of bonds the rates might drop to the 6% to 8 % range. However, if interest rates rose in general, future rates for the Housing Bonds may be higher. Also 50% of the proposed issue is taxable which has higher rates. A delay in issuance may preclude any bonds from being issued at all.

3. **"There is a reasonable chance (should property values fall more than 2%) that RDA would be unable to make debt service payments."**

The issuance before the Board today is for the Housing Bonds. The coverage on debt service is 125%. For the Housing Bonds to have insufficient coverage it would require a drop of 14% in assessed valuation in the RDA's project areas.

4. **"Issuing poorly rated bonds puts the County's reputation and credit rating at risk through RDA is legally separate, the public and rating agencies might not see the**





# MEMORANDUM

## RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

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*Robert Field*  
*Assistant County Executive Officer/EDA*

**distinction.”**

The Housing Bonds are expected to be rated in the “A” category. The current ratings are A2/A- which are high by redevelopment standards. Even if the ratings on the Housing bonds were downgraded to BBB+ the rating would still be investment grade and would not impact the ratings on the County General Fund bonds or investor perception. The RDA did issue BBB rated bonds in the Mid County Area in 2010 with no impact on the County GF ratings. In fact, for the entire twenty year history of the RDA, its bond ratings have generally been lower than the County’s.

The dissenting opinions do raise rating issues related to the proposed issuance of the three series of Non Housing Bonds to be discussed at a subsequent (March 1) Board meeting. The concerns raised above may more appropriately apply to these issuances not the Housing issue. The attached risks of the financing program do not all apply to the Housing issue. The Risks applicable to the Housing Issue are:

- i. The State may stop the issuance of the bonds at any time and the County will have incurred costs.
- ii. Bond proceeds, if uncommitted, may have to be used to pay debt service depending on final legislation.
- iii. The rating on prior housing bonds may be downgraded if the 2011 bonds have a lower rating-a risk for investors.
- iv. Interest rates are higher due to concerns about the State Budget as discussed above
- v. The County might be criticized for rushing to bond ahead of State Action or there may be other impacts