Council Agenda Report

To: President Mullen and the Honorable Members of the Board of Directors of the Malibu Public Financing Corporation

Prepared by: Reva Feldman, Treasurer

Date prepared: June 28, 2018  Meeting date: July 9, 2018

Subject: Issuance of Certificates of Participation for Purchase of 9.65 acres located at 23575 Civic Center Way (APN 4458-022-011) (commonly known as Sycamore Village or loki); purchase of 1.11 acres located at Civic Center Way and Webb Way (APN 4458-020-015) (commonly known as Island Parcel); and purchase of 18.48 acres located at Pacific Coast Highway and Heathercliff Road (APN 4466-021-028)

RECOMMENDED ACTION: Adopt Resolution No. MPFC 18-01 authorizing the execution and delivery of documents in connection with sale and delivery of Certificates of Participation 2018A (COPs) in a principal amount not to exceed $26,000,000 and authorizing and directing certain actions in connection therewith in order to finance the acquisition of 9.65 acres located at 23575 Civic Center Way (APN 4458-022-011) (commonly known as Sycamore Village); purchase of 1.11 acres located at Civic Center Way and Webb Way (APN 4458-020-015) (Island Parcel); and purchase of 18.48 acres located at Pacific Coast Highway and Heathercliff Road (APN 4466-021-028) (Christmas Tree Lot).

FISCAL IMPACT: There is no fiscal impact to the Financing Corporation as the obligation to make lease payments securing the Certificates of Participation will be that of the City. Please see City Staff Report for Item 1.A. for fiscal impacts related to the City and its General Fund.

DISCUSSION: On April 23, 2018, the Council approved a funding plan to purchase three vacant properties and directed the City Attorney to negotiate a purchase and sales agreement to effect the purchase of the three parcels which will be considered by the Council at a future meeting. The Council approved a purchase price of $42,500,000 for all three parcels and directed staff to return to Council to approve the issuance of Certificates of Participation which will pay for a portion of the acquisition.
The Certificates of Participation will represent the right to receive undivided interests in Lease Payments made by the City to the Malibu Public Financing Corporation pursuant to a Lease/Purchase Agreement, as supplemented by the First Supplement to Lease/Purchase Agreement for the right to use and occupy City Hall, Trancas Field and the Sycamore Village lot. The Certificates of Participation are secured by the Lease Payments on a parity with City's existing 2016 Certificates of Participation. The First Supplement to the Lease/Purchase Agreement will add Trancas Field and the Sycamore Village lot to the real property subject to the Lease. Lease Payments are assigned by the Malibu Public Financing Corporation to US Bank, as trustee, pursuant to an Assignment Agreement, as supplemented by a First Supplement to Assignment Agreement. The Trustee pursuant to a Trust Agreement, as supplemented by a First Supplemental Trust Agreement by and among the Trustee, the City and the Malibu Public Financing Corporation is then directed to execute and deliver the Certificates to the Stifel, Nicolaus & Company, Incorporated, as underwriter, pursuant to a Certificate Purchase Agreement by an among the City, the Malibu Public Financing Corporation and Stifel Nicolaus. Stifel Nicolaus will market the Certificates of Participation to investors using the Preliminary Official Statement presented at this meeting.

As required under Section 5852.1 of the California Government Code (Code), set forth below are the good faith estimates as provided by Stifel:

1) The true interest cost of the Certificates of Participation is estimated at 4%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.

2) The finance charge of the Certificates of Participation, including Underwriter's discount and all other fees and charges paid to third parties, is estimated at $380,000.

3) Proceeds of the Certificates of Participation received by the City for the sale of the Certificates of Participation, including the estimated principal amount of the proposed Certificates of Participation of $23,270,000 less the finance charges set forth in (b) above and an estimated amount of $2,200,000 to be deposited into the interest account under the Trust Agreement to pay for debt service on the Certificates through November 1, 2020, is equal to $22,143,775, which will be available to finance the project.

4) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at $47,325,000.

The documents reference in Resolution No. MPFC 18-01 are attached to the July 9, 2018 City Council Agenda Item 1.A.

ATTACHMENTS: Resolution No. MFPC 18-01
RESOLUTION NO. MPFC 18-01

RESOLUTION OF THE MALIBU PUBLIC FINANCING CORPORATION
APPROVING THE EXECUTION AND DELIVERY OF DOCUMENTS IN
CONNECTION WITH THE SALE AND DELIVERY OF THE CERTIFICATES
OF PARTICIPATION 2018A IN A PRINCIPAL AMOUNT NOT TO EXCEED
$26,000,000 AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS
IN CONNECTION THEREWITH

The Board of Directors of the Malibu Public Financing Corporation does hereby find,
order and resolve as follows:

SECTION 1. Recitals.

A. The Malibu Public Financing Corporation (the "Corporation") is a 501(c)(4)
nonprofit public benefit corporation with the authority to assist in the financing of
the acquisition of certain real property and the refinancing of the construction,
reconstruction, modernization and equipping of certain capital improvements on
behalf of the City of Malibu (the "City").

B. The Corporation has previously assisted the City to finance the acquisition of
certain real property and the refunding of certain outstanding debt obligations
through the execution and delivery of the $27,295,000 City of Malibu Certificates
of Participation 2016A (the "2016 Certificates") pursuant to that certain Trust
Agreement, dated as of October 1, 2016 (the "Original Trust Agreement"), by and
among the City, the Corporation and U.S. Bank National Association, as trustee
(the "Trustee").

C. In order to facilitate the execution and delivery of the 2016 Certificates, the City
leased to the Corporation the real property (the "Leased Premises") set forth in
Exhibit A to that certain Site Lease, dated as of October 1, 2016 (the "Original
Site Lease"), by and between the City and the Corporation, and the Corporation
simultaneously leased back the Leased Premises to the City pursuant to that
certain Lease/Purchase Agreement, dated as of October 1, 2016 (the "Original
Lease"), by and between the City and the Corporation.

D. The Original Trust Agreement and the Assignment Agreement, dated as of
October 1, 2016 (the "Original Assignment Agreement"), by and between the
Corporation and the Trustee, allow for the execution and delivery of Additional
Certificates (as that term is defined in the Original Trust Agreement) to finance
additional improvements for the City.

E. The City desires to cause the Trustee to execute and deliver the City of Malibu
Certificates of Participation 2018A, in the aggregate principal amount not to exceed
$26,000,000 (the "2018 Certificates"), which 2018 Certificates evidence
fractional interests in certain lease payments to be made pursuant to the Lease (as
defined below), in order to provide additional financing for the acquisition of
certain additional real property (the "Project"), consisting of: approximately 9.65 acres of vacant land identified as Los Angeles County Assessor’s Parcel No. 4458-022-011, located generally at 23575 Civic Center Way in the City and commonly referred to as the "Sycamore Village Parcel;” approximately 1.11 acres of vacant land identified as Los Angeles County Assessor’s Parcel No. 4458-020-015, located generally at the intersection of Civic Center Way and Webb Way in the City and commonly referred to as the “Island Parcel;” and approximately 18.48 acres of undeveloped land identified as Los Angeles County Assessor’s Parcel No. 4466-021-028 located generally at the intersection of Pacific Coast Highway and Heathercliff Road in the City and commonly referred to as the “Christmas Tree Lot.”

F. To accomplish the sale, preparation, execution and delivery of the 2018 Certificates, the City desires to enter into that certain First Supplement to Site Lease (the "First Supplement to Site Lease"), by and between the City and the Corporation and that certain First Supplement to Lease/Purchase Agreement (the “First Supplement to Lease/Purchase Agreement” and together with the Original Lease, the “Lease”), by and between the City and the Corporation, in order to make certain amendments thereto, including adding additional real property to the Leased Premises, as described in the First Supplement to Lease/Purchase Agreement and the First Supplement to Site Lease, consisting of the Sycamore Village Parcel and the property commonly known as Trancas Field.

G. To facilitate the execution and delivery of the 2018 Certificates, the City desires to enter into that certain First Supplemental Trust Agreement (the “First Supplemental Trust Agreement”), by and among the Corporation, the City and the Trustee and that certain First Supplement to Assignment Agreement (the “First Supplement to Assignment Agreement”), by and between the Corporation and the Trustee.

SECTION 2. 2018 Certificates. This Board of Directors hereby authorizes the preparation, sale and delivery of the 2018 Certificates in one or more series in a combined aggregate principal amount not to exceed $26,000,000 in accordance with the terms and provisions of the First Supplemental Trust Agreement. The purposes for which the proceeds of the sale of the 2018 Certificates shall be expended are to finance: (i) the Project, (ii) capitalized interest on the 2018 Certificates, and (iii) costs of issuing the 2018 Certificates.

SECTION 3. 2018 Certificate Documents. The First Supplement to Site Lease, the First Supplement to Lease/Purchase Agreement, the First Supplemental Trust Agreement and the First Supplement to Assignment Agreement (collectively, the “Agreements”) presented at this meeting are approved. Each of the President, Vice President, Treasurer, Assistant Treasurer and Secretary of the Corporation, or the President’s designee, are authorized and directed to execute and deliver the Agreements. The Agreements shall be executed in substantially the forms hereby approved, with such additions thereto and changes therein as are recommended or approved by counsel to the Corporation and approved by the officer or officers of the Corporation executing
the Agreements, such approval to be conclusively evidenced by the execution and delivery thereof by one or more of the officers listed above.

SECTION 4. Sale of Certificates. The form of the Certificate Purchase Agreement (the "Purchase Agreement") among the City, the Corporation and Stifel, Nicolaus & Company, Incorporated (the "Underwriter") is approved. The President, Vice President and the Treasurer are each authorized to execute the Purchase Agreement in substantially said form, with such changes therein as the President, Vice President or the Treasurer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by the Chair or the Treasurer, provided that (a) the combined aggregate principal amount of the 2018 Certificates does not exceed $26,000,000, (b) the aggregate true interest cost of the 2018 Certificates does not exceed 5.0% per annum and (c) the Underwriter's discount for the purchase of the 2018 Certificates does not exceed 1.0% of the principal amount of the 2018 Certificates.

SECTION 5. Other Actions. The President, Vice President, Treasurer, Assistant Treasurer, Secretary and other officers of the Corporation are authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the sale and delivery of the 2018 Certificates, and the execution of the Agreements and otherwise effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

SECTION 6. Effect. This Resolution shall take effect from and after its date of adoption.

PASSED, APPROVED AND ADOPTED on this 9th day of July 2018.

RICK MULLEN, President

ATTEST:

HEATHER GLASER, Secretary

APPROVED AS TO FORM:

BRIAN FORBATH, Special Counsel