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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

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September 16, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

16 September 16, 2014

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

**CRA/LA, A DESIGNATED LOCAL AUTHORITY AND SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES REQUEST FOR
SUBORDINATION OF PASS-THROUGH PAYMENTS TO PAYMENTS ON THE BUNKER HILL
PROJECT REFUNDING BONDS TO THE COUNTY TAXING ENTITIES
(FIRST DISTRICT) (3 VOTES)**

SUBJECT

This is a Joint Recommendation with the Fire Department and Department of Public Works to approve a Resolution to subordinate the County of Los Angeles', the Fire District's, and the Flood Control District's right to receive pass-through payments from CRA/LA, a Local Designated Authority and Successor Agency to the Community Redevelopment Agency of the City of Los Angeles ("Successor Agency"), to the debt service payments of the Successor Agency's Bunker Hill Redevelopment Project ("Project") Series M and Series N refunding bond issue of 2014 ("Series M and N Bonds").

IT IS RECOMMENDED THAT THE BOARD:

1. Approve a Resolution subordinating the County of Los Angeles', Flood Control District's, and Fire District's right to receive pass through payments from the Successor Agency which would otherwise be received from the Project to the Successor Agency's debt service payments on the Series M and N Bonds.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Successor Agency is preparing to refinance its tax allocation bonds for the purpose of providing savings to the Successor Agency and the taxing entities, through issuance of the Series M and N Bonds. This refinancing is part of the County of Los Angeles Redevelopment Bond Refunding

Program. The timely subordinations are required by law upon receipt of a successor agency's request for subordination that is accompanied by a report showing that sufficient funds to pay both debt service and pass through payments to affected taxing agencies will be available when payments are due. The Successor Agency submitted its subordination request to the County on August 8, 2014.

Implementation of Strategic Plan Goals

This action supports Goal 1, Operational Effectiveness/Fiscal Sustainability, of the County Strategic Plan to strengthen the County's fiscal capacity.

FISCAL IMPACT/FINANCING

Health and Safety Code Section 34177.5(c) authorizes successor agencies to refund outstanding bonds to provide savings to the successor agency. The savings generated by refunding bonds may result in availability of additional funds to the taxing entities, including the County ("Taxing Entities"). The County may disapprove a request for subordination only if it finds, based on substantial evidence, that the Successor Agency will not be able to pay both the debt service payments and the pass-through payments to the Taxing Entities. The Successor Agency's tax increment projections, reviewed by Chief Executive Office staff, indicate that there will be sufficient coverage to satisfy the debt service payments and the required pass-through payments to the Taxing Entities.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Prior to the dissolution of redevelopment agencies, Section 33607.5 provided that a redevelopment agency could request that the payments required to be made to taxing entities pursuant to Section 33607.5 be subordinated to loans, bonds or other indebtedness. AB X1 26, enacted on June 28, 2011 dissolved redevelopment agencies. AB 1484, a clean-up bill to AB X1 26, was enacted on June 27, 2012 and provides a mechanism to refund outstanding bonds, and includes the ability of the successor agency to request the taxing entities subordinate their Section 33607.5 pass-through payments to the agency's bonds.

Section 34177.5 (c) provides: "If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive." Failure to act within 45 days after receipt of the Successor Agency's requests (in this case, September 22, 2014) constitutes County approval of the Successor Agency's request to subordinate to the bonds. County Counsel indicates that approving subordination by express resolution is preferable to failing to take action within 45 days.

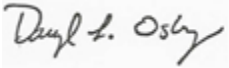
IMPACT ON CURRENT SERVICES (OR PROJECTS)

Not Applicable.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer



DARYL L. OSBY
FIRE CHIEF, FORESTER & FIRE WARDEN

WTF:SHK
FC:RM:ib

Enclosures

c: Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller



GAIL FARBER
Director

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES' RIGHT TO RECEIVE
PASS-THROUGH PAYMENTS TO PAYMENTS ON THE CRA/LA, A DESIGNATED LOCAL
AUTHORITY AND SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF LOS ANGELES BUNKER HILL PROJECT REFUNDING BONDS**

WHEREAS, Health & Safety Code Section 34177.5(a)(1) authorizes a successor to a former redevelopment agency dissolved by Assembly Bill No. 26 ("AB X1 26") to refund the bonds of the former redevelopment agency for the purpose of generating savings to the successor agency, and Section 34177.5(c) provides that prior to incurring any bonds, the successor agency may subordinate to the bonds the amount required to be paid to an affected taxing entity pursuant to Section 34183(a)(1), provided that the taxing entity approves the subordination; and

WHEREAS, the CRA/LA, a Designated Local Authority and Successor Agency to the Community Redevelopment Agency of the City of Los Angeles (the "Successor Agency") on August 8, 2014 by letter advised its intention to refinance certain outstanding Bunker Hill Project ("Project") tax allocation bonds by issuance of the 2014 Series M and Series N Bonds (the "Series M and N Bonds") payable from and secured by a pledge of certain Project tax increment revenues. The Successor Agency, in the same letter, has requested that the County of Los Angeles (the "County"), the Los Angeles County Consolidated Fire Protection District ("the Fire District"), and the Los Angeles County Flood Control District ("the Flood Control District") subordinate any and all payments which the County, the Fire District, and the Flood Control District are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Project to the Successor Agency's payments of principal and interest on the Series M and N Bonds; and

WHEREAS, the requested subordination does not lessen or eliminate the Successor Agency's obligation to make the required payments to the County, the Fire District, and the Flood Control District under Section 33607.5 and is intended to permit the Successor Agency to obtain a higher credit rating on its bonds and thus lower the Successor Agency's financing costs; and

WHEREAS, Section 34177.5(c) provides that at the time a successor agency requests an affected taxing entity to subordinate the amount to be paid to it, the successor agency must provide substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the successor agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

WHEREAS, the Successor Agency has presented sufficient evidence demonstrating its ability to make the required payments to the County, the Fire District, and the Flood Control District after payment of debt service on the Series M and N Bonds.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

Subordinate the County's Right to Receive
Pass-Through Payments to the CRA/LA, a Local Designated Authority and Successor Agency
to the Community Redevelopment Agency of the City of Los Angeles
Bunker Hill Project
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The County, the Fire District, and the Flood Control District hereby agree that so long as the Series M and N Bonds remain outstanding, any and all payments which the County, the Fire District, and the Flood Control District are entitled to receive from the Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Project to pay the principal of and interest on the Series M and N Bonds.

The foregoing resolution was on the 16th day of September 2014, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.

SACHI A. HAMAI
Executive Officer
Board of Supervisors of the County of Los Angeles

By Carla Little



APPROVED AS TO FORM

RICHARD D. WEISS
Acting County Counsel

By Thomas R. Parker

Thomas Parker
Deputy County Counsel