



PUBLIC FINANCING AUTHORITY AGENDA REPORT

City of Anaheim FINANCE DEPARTMENT

DATE: SEPTEMBER 27, 2022
FROM: FINANCE DEPARTMENT
SUBJECT: APPROVING THE ISSUANCE OF NOT TO EXCEED \$400,000,000 AGGREGATE PRINCIPAL AMOUNT OF LEASE REVENUE BONDS (ANAHEIM ARENA IMPROVEMENT PROJECT) OF THE CITY OF ANAHEIM PUBLIC FINANCING AUTHORITY (APFA)

ATTACHMENT (Y/N): YES **ITEM #** 26

RECOMMENDATION:

That the Board of Directors of the Anaheim Public Financing Authority, by Resolution:

1. Approve the issuance of not to exceed \$400,000,000 of APFA Lease Revenue Bonds (Anaheim Arena Improvement Project), in one or more series;
2. Authorize the execution and delivery of the Ground Lease, in the form submitted, by and between the City and APFA;
3. Authorize the execution and delivery of the Lease Agreement and the First Amendment to Lease Agreement, in the forms submitted, by and between the City and APFA;
4. Authorize the execution and delivery of the Assignment Agreement, in the form submitted, by and between the APFA and U.S. Bank Trust Company, National Association;
5. Authorize the execution and delivery of the Master Indenture, in the form submitted, by and among the City, APFA, and U.S. Bank Trust Company, National Association;
6. Authorize the execution and delivery of a Fixed Rate Supplemental Indenture, in the form submitted, by and among the City, APFA, and U.S. Bank Trust Company, National Association;
7. Authorize the execution and delivery of a Variable Rate Supplemental Indenture, in the form submitted, by and among the City, APFA, and U.S. Bank Trust Company, National Association;
8. Authorize the execution and delivery of the Fixed Rate Purchase Contract, in the form submitted, by and among the City, the APFA, and J.P. Morgan Securities LLC;
9. Authorize the execution and delivery of the Variable Rate Revolving Bond Purchase Agreement, in the form submitted, by and among the City, the APFA, and JPMorgan Chase Bank, National Association and any other institutional investors to be set forth therein;
10. Authorize the execution and delivery of the Accounts Agreement, in the form submitted, by and among the City, the APFA, Anaheim Arena Management,

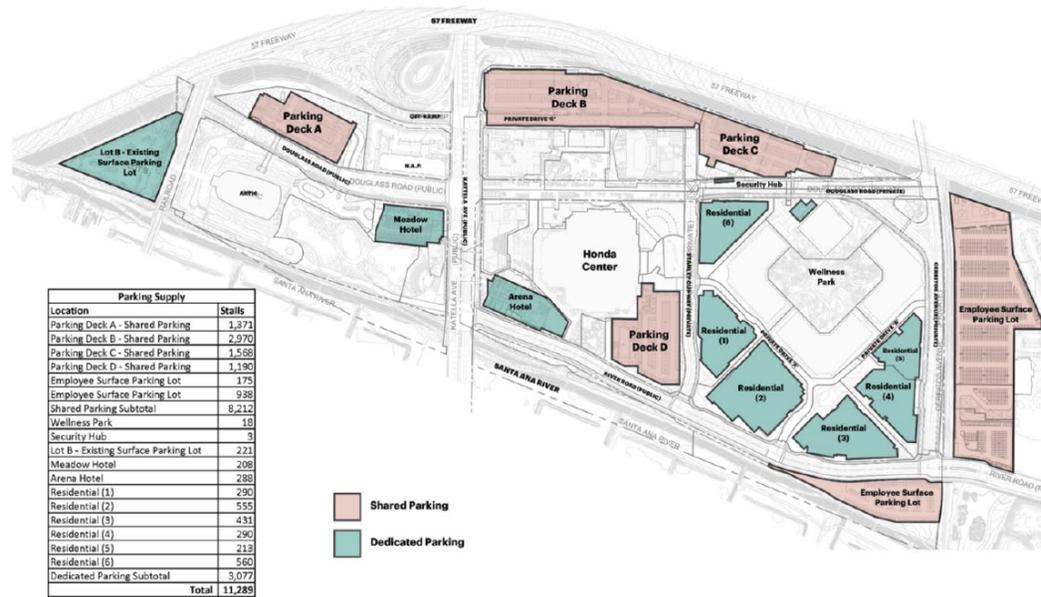
LLC, U.S. Bank Trust Company, National Association, and Pacific Premier Bank;

11. Authorize the execution and delivery of the Continuing Disclosure Agreement, in the form submitted, by and among the APFA, the City, Anaheim Arena Management, LLC, and U.S. Bank National Association as the Trustee and Dissemination Agent;
12. Authorize the distribution of the Preliminary Official Statement, in the form submitted, and the execution and delivery of the final Official Statement;
13. Authorize the execution and delivery of a Landlord Estoppel Certificate;
14. Authorize and direct Authorized Officers to apply for and accept, if economically advantageous, municipal bond insurance, a reserve surety, or reserve insurance policy;
15. Approve the selection of the financing team, which include J.P. Morgan Securities LLC, as the underwriter of the Fixed Rate Bonds, JPMorgan Chase Bank, National Association and any other institutional investors to be set forth the Variable Rate Revolving Bond Purchase Agreement, as the purchaser of the Variable Rate Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation as Bond Counsel, and PFM Financial Advisors LLC as Municipal Advisor; and
16. Authorize and direct the Chairperson, the City Manager, the Finance Director, the Deputy Finance Director (Authorized Officers), and other City officers and officials to take any and all actions necessary to complete the transactions contemplated by the financing and ratifying any such actions previously taken.

DISCUSSION:

TS Anaheim, LLC and/or its affiliates are the property owners of approximately 63 acres which are included in the ocV!BE mixed-use project consisting of up to 1,922,776 square feet (s.f.) of commercial uses, 961,055 s.f. of office uses, 250,000 s.f. of institutional uses, 1,500 residential units (including 195 affordable units), public and private parks, and a network of public and private streets (collectively, the “Proposed Project”). Development approvals relating to the Proposed Project are presented at this City Council meeting as Agenda Item 25-A.

This proposed item relates to the approval of the issuance of lease revenue bonds (the “Bonds”) by the Anaheim Public Financing Authority (the “APFA”) to finance certain public improvements necessary for the Proposed Project. The proceeds of the Bonds are expected to be applied to finance the costs of Parking Decks B, C, and/or D as shown on the following diagram:



Anaheim Arena Management, LLC, a California limited liability company (the “Manager”), in consultation with the City, may agree to use proceeds of the Bonds to finance additional or other public improvements for the Proposed Project, including, but not limited to, display and signage equipment, facilities for safety services, park and plaza improvements, public access and right of ways, public roads, landscaping, rail crossings, electric grid upgrades, utilities, and traffic signals.

The Bonds will be structured as “lease revenue bonds.” Under this financing structure, the City will lease to the APFA, the Honda Center property as well as other property interests to be leased or conveyed by TS Anaheim, LLC and/or its affiliated entities to the City. The APFA will lease such property back to the City and the City will agree to make rental payments to the APFA. The APFA will assign the rights to receive such rental payments to U.S. Bank Trust Company, National Association, as trustee for the Bonds (the “Trustee”) to repay the Bonds. This financing structure has been used by the APFA for its prior financings, including the Taxable Lease Revenue Bonds (Anaheim Arena Financing Project) 2003 Series A, which were issued to refinance the costs of certain improvements to the Honda Center. Additional details with respect to the documents for the Bonds to be considered for approval by the Authority are set forth below.

The Bonds will be payable from rental payments under a lease agreement, as described below, however, all lease payments will only be payable from revenues generated by the Honda Center and other sources included in the definition of “Gross Revenues” under the Amended and Restated Facility Management Agreement to be entered into by the City and the Manager, and not from the City’s general fund.

The Bonds are proposed to be issued in two series – a variable rate series and a fixed-rate series. The aggregate maximum principal amount of the Bonds, if approved as presented to this Authority, may not exceed \$400,000,000.

The variable rate series (the “Variable Rate Bonds”) will be sold directly to JPMorgan Chase Bank, National Association and any other institutional investors set forth in the Variable Rate Revolving Bond Purchase Agreement (collectively, the “Variable Rate Bonds Purchaser”) and will have a shorter term (approximately 5 years) and is intended to act as temporary revolving construction financing. The Variable Rate Bonds are expected to be refunded or paid off by the Manager prior to their maturity. The fixed-rate series (the “Fixed Rate Bonds”) will be publicly offered with J.P. Morgan Securities LLC as the underwriter (the “Fixed Rate Bonds Underwriter”) and expected to have a 30 year term. Both the Variable Rate Bonds and the Fixed Rate Bonds are currently expected to be issued as taxable bonds, however, all or a portion thereof may be issued as tax-exempt bonds so long as the requirements under federal tax law are met. Based on current expectations of the Manager, the Variable Rate Bonds are expected to be issued first and followed at a later date by the Fixed Rate Bonds.

The following summarizes the documents presented to this Board of Directors for approval in connection with the Bonds:

Ground Lease. Agreement by which the City leases to the APFA, the Honda Center and certain other property rights conveyed to the City by the Manager (collectively, the “Property”).

Lease Agreement. Agreement by which the APFA leases the Property back to the City. Under the Lease Agreement the City agrees to pay rental payments to the APFA, which will be assigned by the APFA to the Trustee to repay the Bonds. Under the Lease Agreement, the City is only obligated to make rental payments from available Gross Revenues and not from any other City funds, including but not limited to, the City’s general fund.

Master Indenture. Agreement among the APFA, the City, and the Trustee which provides for the terms of the Bonds, including repayment provisions, security for the Bonds, events of default, remedies, and rights and obligations of the Trustee.

Fixed Rate Supplemental Indenture. This supplement to the Master Indenture is by and among the APFA, the City, and the Trustee and provides for terms specific to the Fixed Rate Bonds, including maturity dates, interest rates, and redemption terms.

Variable Rate Supplemental Indenture. This supplement to the Master Indenture is by and among the APFA, the City, and the Trustee and provides for terms specific to the Variable Rate Bonds, including interest rate modes, the indices upon which interest on the Variable Rate Bonds will be based, maturity date, and redemption terms. The

Variable Rate Bonds are expected to be structured to mature five years from date of issuance.

Fixed Rate Purchase Contract. This contract among the APFA, the City, and the Fixed Rate Bonds Underwriter provides that the Fixed Rate Bonds Underwriter will purchase all of the Fixed Rate Bonds to resale to the public market, subject to customary closing conditions as set forth therein.

Variable Rate Revolving Bond Purchase Agreement. This agreement among the APFA, the City, and the Variable Rate Bonds Purchaser provides for the terms by which the Variable Rate Bonds Purchaser will agree to purchase the Variable Rate Bonds from time to time as requested by the APFA, subject to the maximum amount of the Variable Rate Bonds Purchaser's commitment thereunder. The outstanding amount of the Variable Rate Bonds may be repaid from time to time, which will allow for additional sales of Variable Rate Bonds to the Variable Rate Bonds Purchaser, subject to the Variable Rate Bonds Purchaser's maximum commitment under the Variable Rate Revolving Bond Purchase Agreement.

Accounts Agreement. The Accounts Agreement by and among the APFA, the City, the Trustee, the Manager, and Pacific Premier Bank sets forth the conditions to the issuance of the Bonds, appoints Pacific Premier Bank to hold and disburse certain revenues relating to the Honda Center and the revenues pledged to repay the Bonds, authorizes the Trustee to hold and/or control certain collateral which will secure the Bonds, and sets forth certain procedures for the deposit, investment, and disbursement of the proceeds of the Bonds.

Continuing Disclosure Agreement. The Continuing Disclosure Agreement by and among the APFA, the City, the Manager, and the Trustee, provides for the obligation of the APFA, the City, and the Manager, as applicable, to provide updated operating and financial information and notices with respect to the Fixed Rate Bonds to the public market. This ongoing undertaking is required by federal securities laws in connection with the issuance of the Fixed Rate Bonds.

Preliminary Official Statement. The Preliminary Official Statement is the primary offering document for the Fixed Rate Bonds and provides to potential investors, information relating to the terms of the Fixed Rate Bonds, the security for the Fixed Rate Bonds, the operating and financial information relating to the Arena, and the Manager and the Proposed Project.

Section 5852.1 of the California Government Code (the "Government Code") requires that the Board of Directors of the APFA obtain from an underwriter, financial advisor, or private lender and disclose, in a meeting open to the public, prior to authorization of the issuance of the Bonds, good faith estimates of (a) the true interest cost of the Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Bonds, (c) the amount of proceeds of the Bonds expected to be received net of the fees and charges

paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Bonds, and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds, plus the fees and charges paid to third parties not paid with the proceeds of the Bonds. In compliance with Government Code Section 5852.1, the Board of Directors of the APFA has obtained from PFM Financial Advisors LLC, as the City's municipal advisor, the required good faith estimates and such estimates are disclosed and set forth in Exhibit A attached to the Resolution considered for adoption at this same meeting.

Additionally pursuant to Government Code Section 6586.5, the APFA can only authorize the issuance of the Bonds so long as the City Council has conducted a public hearing with respect to the financing of the Project and makes a finding of significant public benefit in accordance with the criteria specified in Government Code Section 6586).

IMPACT ON BUDGET:

The Authority's obligation to pay debt service on the Bonds is solely from amounts to be paid by the City under the Lease Agreement. All obligations of the City with respect to the Bonds are to be paid solely from Gross Revenues available therefor and from no other City sources, including, but not limited to, the City's general fund. The Manager has deposited funds to pay for the costs of the City's consultant's and additional costs will be paid of costs of issuance of the Bonds.

Respectfully submitted,

Deborah A. Moreno
Finance Director/City Treasurer

Attachments:

1. Resolution
2. Ground Lease
3. Lease Agreement and First Amendment to Lease Agreement
4. Master Indenture
5. Fixed Rate Supplemental Indenture
6. Variable Rate Supplemental Indenture
7. Assignment Agreement
8. Accounts Agreement
9. Fixed Rate Purchase Contract
10. Variable Rate Revolving Bond Purchase Agreement
11. Continuing Disclosure Agreement
12. Preliminary Official Statement