

Redevelopment in South Lake Tahoe

Refunding of Current Callable Bonds

Presented to South Tahoe Redevelopment Successor Agency

August 5, 2014

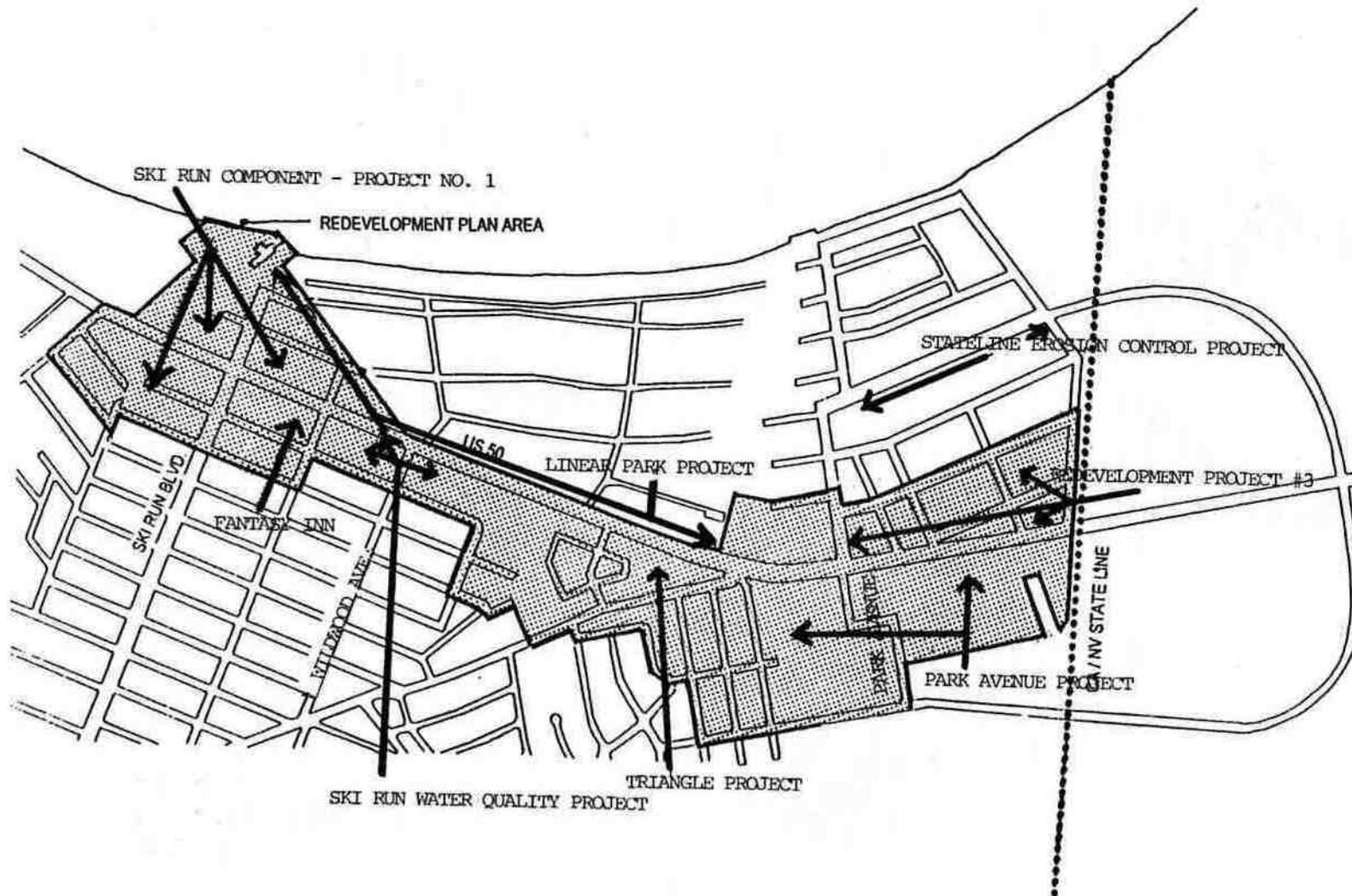
- Request for Proposals /Qualifications issued in Spring 2014 for Qualified Firm
- 5 responses: Jefferies, Piper Jefferies, Raymong James, Southwest Securities, and Stifel
- Selection Criteria included:
 - Understanding of Refunding Post-RDA era (expertise required)
 - Rates, fees, overall firm experience
 - Stifel Selected by Project Management Team
- Robert Gamble of Public Finance Management (Lead)
- David Fama of Jones Hall (Legal)
- Teresa Ho-Urano of Richards, Watson, Gershon (RDA Legal Advisors, currently standing legal advisor for Successor Agency)
- Don Fraser of Fraser & Associates (Tax Increment Financial Advisor)

Financing Team

- Early 1980s, City of South Lake Tahoe began to substantially improve deteriorated/blighted areas
- In 1985, Community Redevelopment Study Group
- In 1989, Redevelopment Project Area No. 1 was established

Project Area History

REDEVELOPMENT PLAN AREA



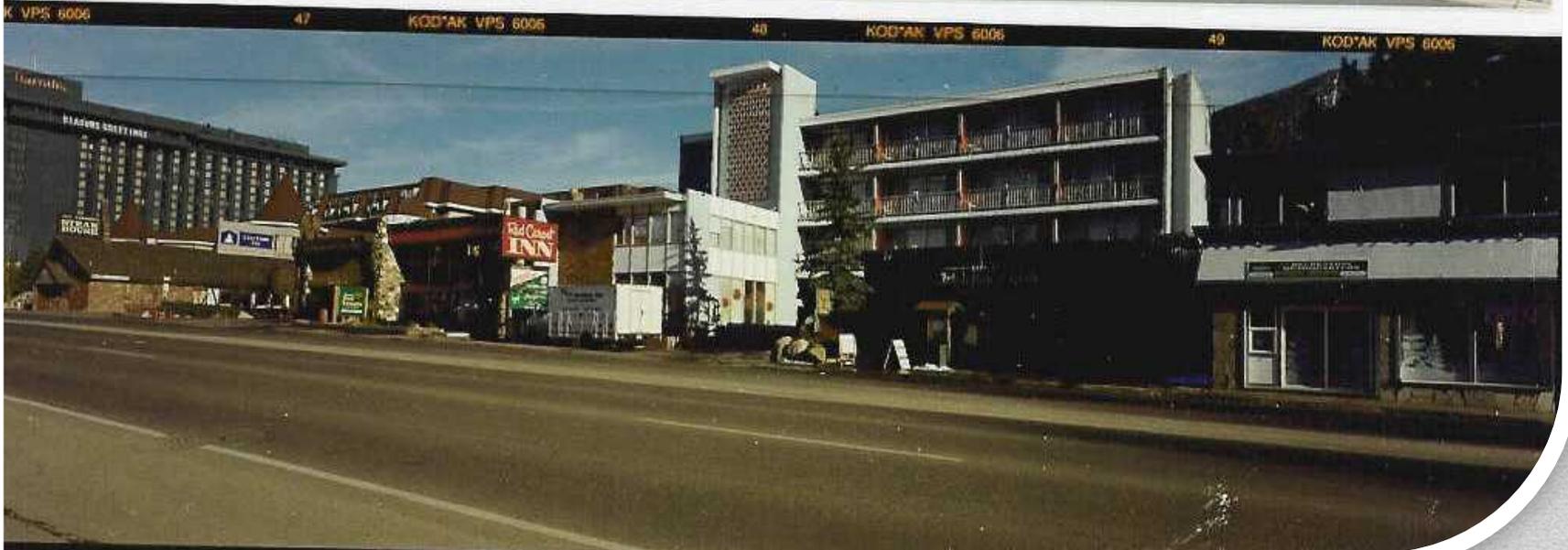
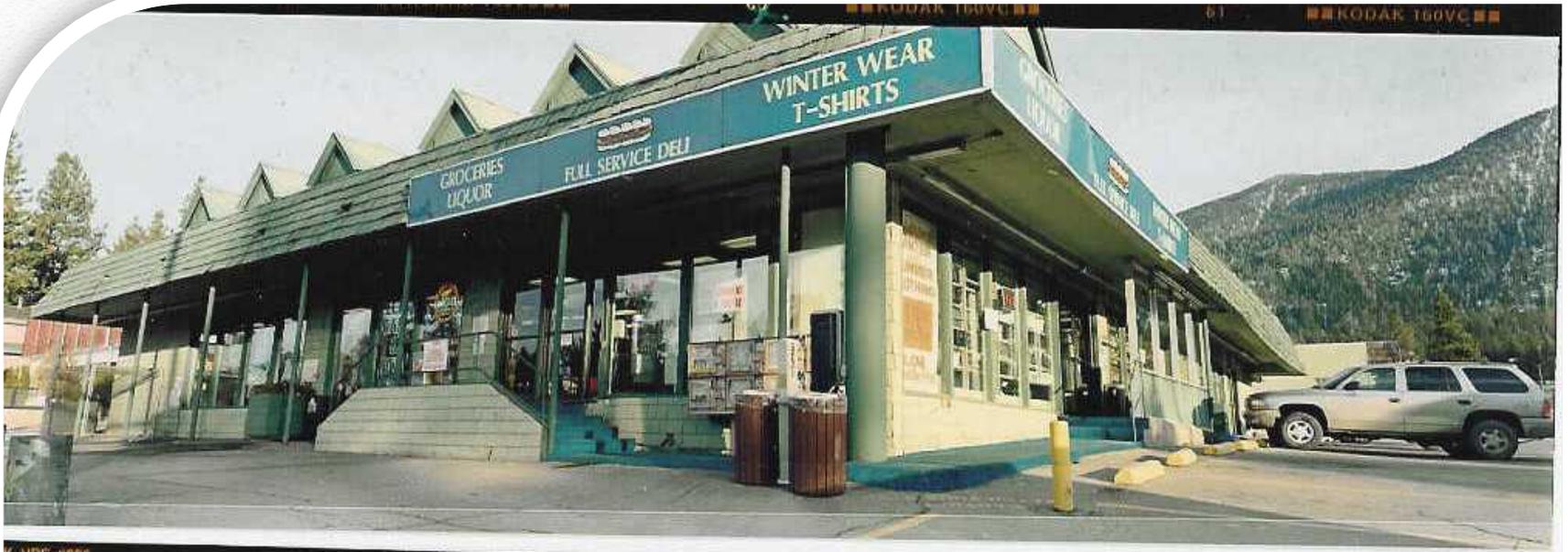
- Two anchor resort projects were planned at each end of the Project Area
 - Each included economic development with environmental improvements to help with Lake clarity and reduce emissions
 - Agency acquired and demolished 526 dilapidated motel rooms under basin-wide development rules
- 1991, Former Embassy Suites opened w/ 400 hotel units
 - Approximate Agency assistance \$28 million
 - Currently: Lake Tahoe Resort Hotel
- 1997-2008, Ski Run Marina improvements constructed
 - 184 Time Share Units (Lake Tahoe Vacation /Diamond Resort)
 - Ski run marina improvements
 - Agency assisted with land assembly and environmental enhancements, including water quality improvement projects
 - Approximate Agency assistance \$9 million

First RDA Projects

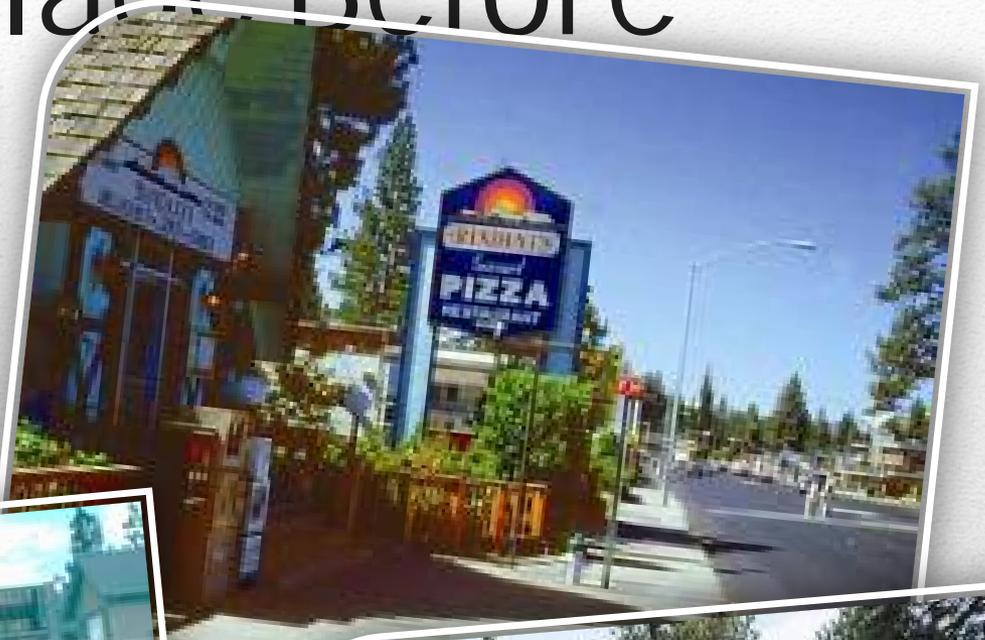
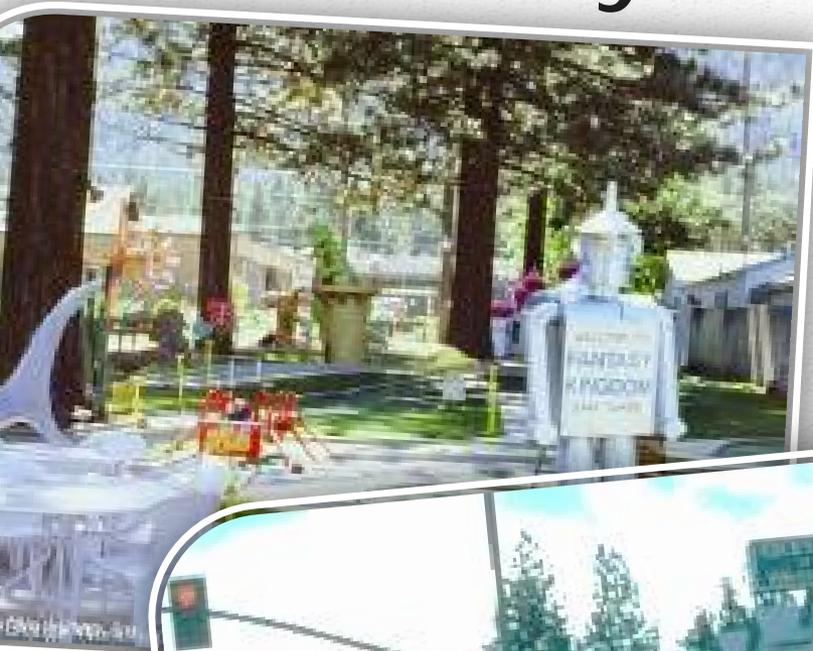
- 17-acre Project Site
- Agency acquired entire site, demolished existing conditions and sold the land to the developer
 - 199 Marriot Grand Residence Club
 - 261 Marriot Timber Lodge Units
 - Heavenly gondola to the Ski slopes
 - Multi-screen cinema, retail and commercial space
- **Public improvement components included:**
 - Outdoor Public Space (Ice Skating and Miniature Golf)
 - Road and basin construction
 - Stream environmental restoration
 - Streetscapes
 - Inter-modal Transit center
- **Approximate Agency Assistance \$50 M**

Heavenly Village

Heavenly Village Before



Heavenly Village Before





Heavenly Village Site Plan



Harrah's





THE LODGE

WELCOME

THE LODGE

WELCOME TO THE LODGE
PLEASE USE THE STAIRS
TO THE UPPER LEVELS

Heavenly Village After



Heavenly Village After



Heavenly Village After



- **Redevelopment Projects Construction funded by:**
 - Tax Allocation Bonds (1999, 2003, 2004, 2005, 2007)
 - First pledged Revenue Source: Tax increment
 - Additional revenues available to Successor Agency (Assets)
 - City pledged TOT collected in Project Area when other revenues are insufficient
 - Developer fees
 - Grants from a variety of sources
 - Community Facility District assessments and bonds

Redevelopment Financed
with Multiple Sources

BOND PRINCIPAL OUTSTANDING BY PROJECT

Principal Only

	Heavenly	Ski Run/ Embassy	Total
1999 Bonds	0	7,830,000	7,830,000
2003 Bonds	10,520,000	0	10,520,000
2004 Bonds	10,855,000	0	10,855,000
2005 Bonds	7,811,250	23,433,750	31,245,000
2007 Bonds	15,310,000	3,905,000	19,215,000
Total	44,496,250	35,168,750	79,665,000

TOTAL DEBT OUTSTANDING BY PROJECT

Principal and Interest

	Heavenly	Ski Run/ Embassy	Total
1999 Bonds		13,882,902	13,882,902
2003 Bonds	20,978,875		20,978,875
2004 Bonds	18,062,118		18,062,118
2005 Bonds	12,105,281	36,315,844	48,421,125
2007 Bonds	29,634,512	7,408,628	37,043,139
Total	80,780,786	57,607,374	138,388,160

Outstanding Bond Obligations

- In 1999-2000, prior to the impact of the Great Recession, the **value** of the three projects totaled **approximately \$539 million**
- Demonstrating a favorable return on the Agency's Investment - **\$90 million had leverage private investment 5+ times greater**
- In addition, hotel taxes from the Project Area generate over **\$4 million in annual TOT revenue** for the City, which is a pledged revenue source to the bonds when Property Tax Increment and other revenues are insufficient.

Value of Redeveloped Properties

2014 Refunding Bonds Statistics

Par Amount	\$27,825,000
True Interest Cost (TIC)	4.47%
<u>Final Maturity</u>	<u>10/1/2034*</u>

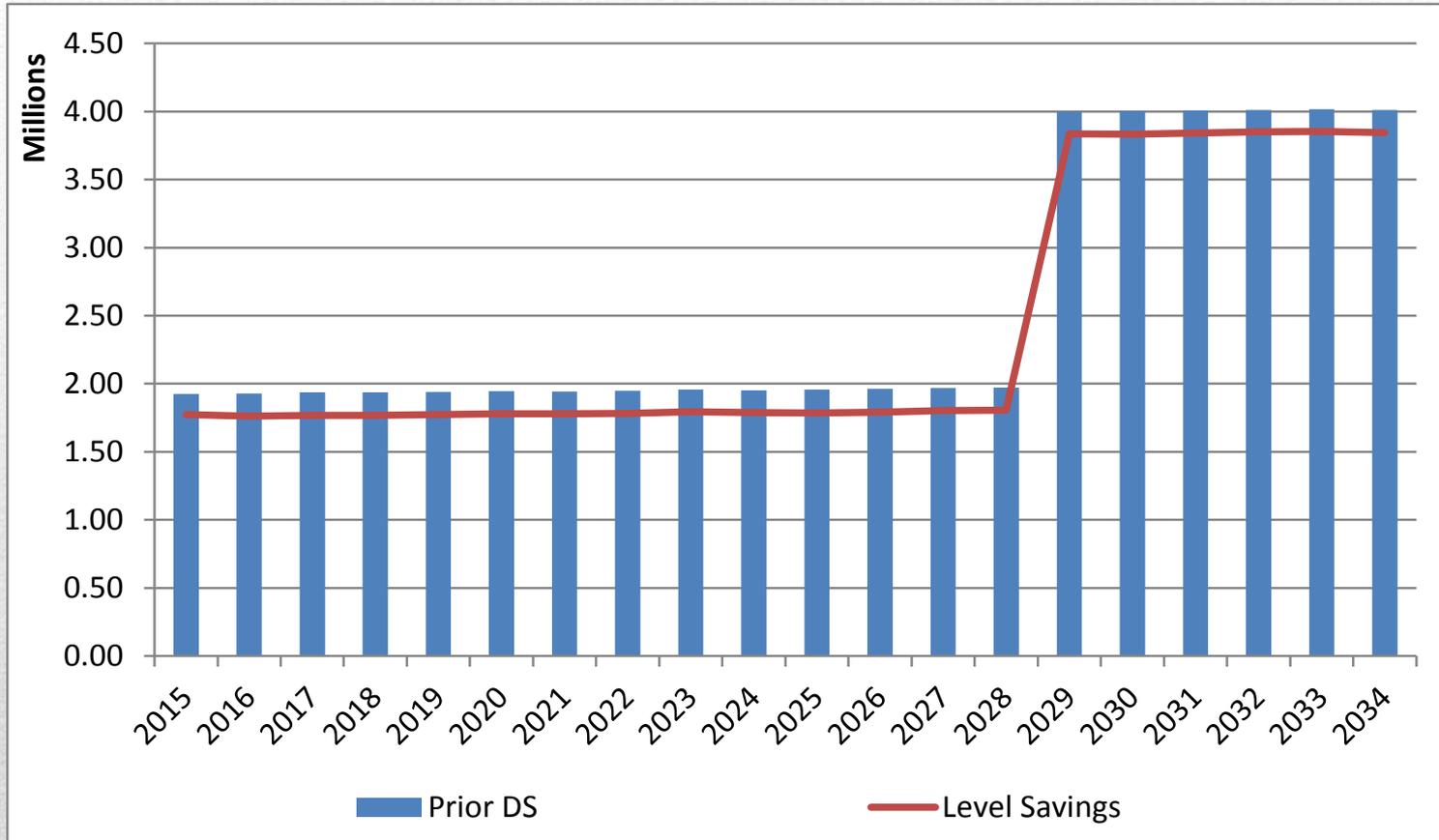
**Same as existing bonds.*

Summary of Refunding Results

Net Present Value Savings (\$)	\$2,033,000
Net Present Value Savings (%)	7.06%
Average Annual Cash Flow Savings	\$150,000

Refunding Overview

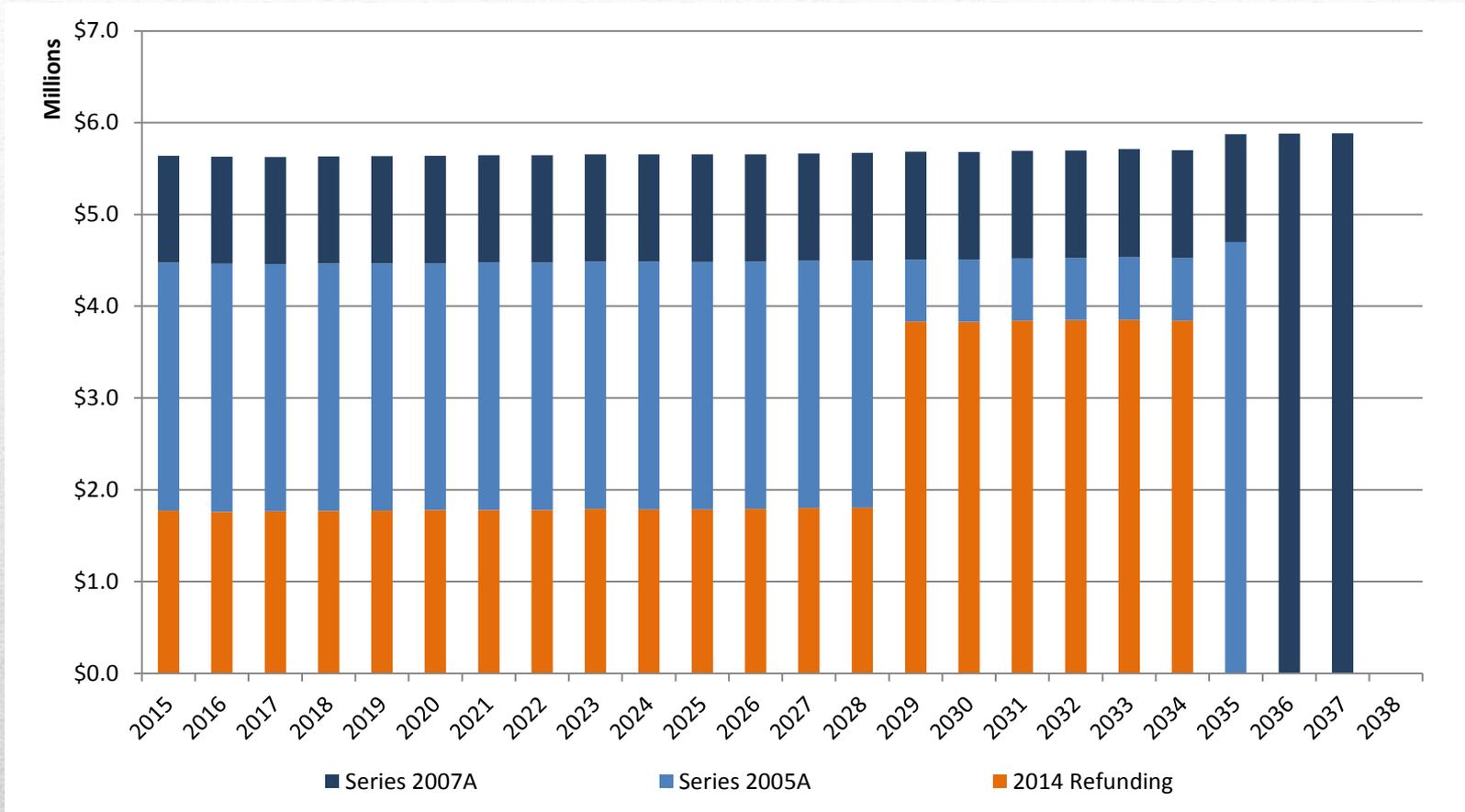
Debt Service Savings Chart*



*Including only bonds to be refunded.

Estimated Refunding Results

Aggregate Tax Increment Bonds Debt Service Chart



Aggregate Debt Service

- Purpose of Refunding (“Refinancing”) is to capture interest savings available in the current bond market
- 2014 bonds will refund 1999A, 2003A and 2004A Series
- 2005A and 2007A are not yet callable (2015 & 2017)
- Estimated NPV of savings: \$2.0M
- Market rates dependent upon DOF turnaround time
- Over time, tax increment will become sufficient to return an annual surplus to taxing entities
- When all debt is refunded including 2005 & 2007 series, and property values recover to 2000-2006 levels, surplus will become available for additional obligations/distribution

Bond Refunding

6th Supplemental replaces previous Agreements for:

- **Trust Agreement**

Allows the South Tahoe Joint Powers Financing Authority (“Authority”) the necessary legal authority to issue bonds on behalf of Agency and from time to time to refund bonds previously issued

- **Master Tax Allocation Loan Agreement**

Authorizes the Former Redevelopment Agency (now the South Tahoe Redevelopment Agency, “Agency”) to incur the indebtedness as a Loan against the Agency.

- **Master Transient Occupancy Tax Loan Agreement**

Secures the bonds through a pledge and lien against Transient Occupancy Tax collected by the City of South Lake Tahoe

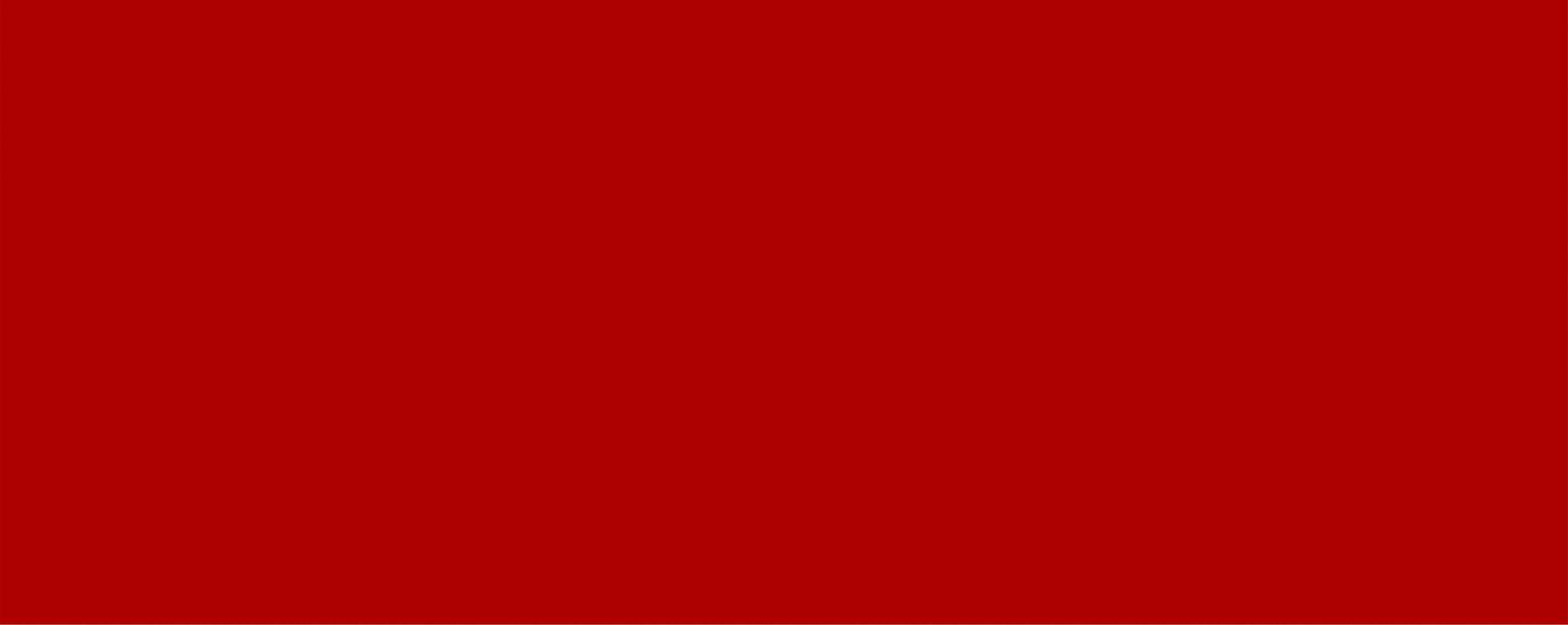
Amendment No. 2 to TOT Administration Agreement

Reaffirms the commitment of TOT revenues when property tax increment and other revenues are insufficient for debt service.

Documents

- **Adoption of Resolution** will forward Request to Proceed with Refunding to Oversight Board and Department of Finance.
- If Approved by OB and DOF, Financing Team will proceed with preparing for market placement and return to Successor Agency to finalize financing terms.
- Refunding of bonds will **reduce annual debt service payments**.
- As property values increase with continued new construction in the area, Property Tax Increment will increase sufficient to cover debt service, other obligations and provide funds for distribution to taxing entities.

Today's Board Action(s)



Questions
