



Financial Review Committee Meeting

June 18, 2020

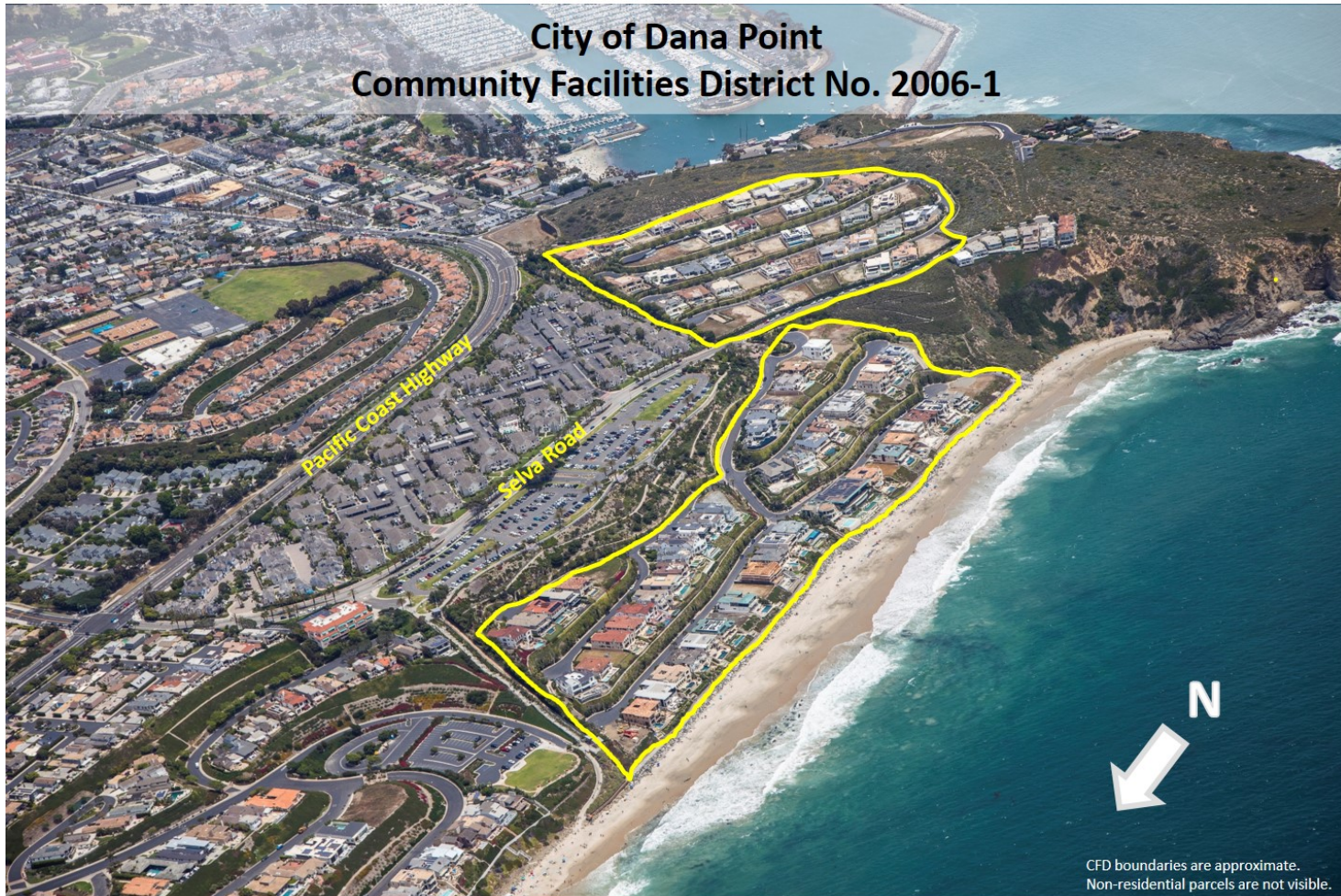
City of Dana Point Community Facilities District 2006-1 Strand at Headlands Development

Request Recommendation to Issue 2020
Refunding Bonds

June 18, 2020

City of Dana Point Community Facilities District 2006-1

The Strand at Headlands Project Overview



City of Dana Point Community Facilities District 2006-1

The Strand at Headlands Project Overview

- Over 121 acres
- 33 acres of custom lot residential property
- 118 custom residential lots (Tax Zone 1)
 - “North Strand” - 70 residential lots below Selva Road and private beach club
 - “South Strand” - 48 residential lots above Selva Road
- 4.3-acres of non-residential (Tax Zone 2)
 - commercial site 1.5-acre
 - hotel site 2.8-acre
- 35 acres recreation open space
- 34 acres conservation open space
- 2.5 acres public right-of way

City of Dana Point Community Facilities District 2006-1

History of CFD 2006-1

- 2/12/2002 – Council approved development agreement
- 4/26/2006 Council adopted:
 - CFD Goals & Policies
 - Resolution of Intention to Establish CFD 2006-1 and to Levy Special Taxes
 - Resolution of Intention to Incur Bonded Debt
- 6/14/2006 Council:
 - Held Hearing on 4/26/2006 Resolutions
 - Adopted Resolutions to Establish CFD 2006-1, Declared Necessity to Issue Debt Not to Exceed \$45 million, and to Conduct Special Election
 - Adopted Resolution declaring Results of Special Election and Notice to Levy Special Taxes
 - City Entered into Agreement with Headlands Reserve LLC to Acquire Headlands Development Public Improvements Using CFD 2006-1 Bond Proceeds
- 11/8/2006 – 1st Amendment to Acquisition Agreement Reduces Maximum Bond Size from \$45 million down to \$40 million; Developer picks Underwriter

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History of CFD Establishment and Bond sales - continued

- ❑ 6/3/08 City Council authorized issuance of 2008 Bonds as the first series of CFD 2006-1 bonds; 7/2/2008 \$8,710,000 Bonds Sold to net \$7,282,872.75 for infrastructure
- ❑ 2008 Bond Sizing Based on 29 of 118 Residential Parcels sold to date; also, 1 parcel had prepaid its Facilities Special Tax
- ❑ 5/7/13 City Council authorized issuance of 2013 Bonds as the second series of CFD 2006-1 bonds
- ❑ 2013 Bond Sizing Based on 45 of 118 Residential Parcels sold to date, and 2 residential parcels owned by HRLLC; also, 4 parcels had prepaid their Facilities Special Tax
- ❑ 5/22/13 \$17,885,000 of 2013 Bonds sold, included Refunding/Defeasance of 2008 Bonds and \$9,051,658.16 for infrastructure
- ❑ 2/18/14 City Council authorized issuance of 2014 Bonds and action to increase maximum debt to \$45 million
- ❑ 3/13/14 \$26,245,000 of 2014 Bonds sold to net \$23,736,528.14 for infrastructure (**Last Reimbursement to Developer**)

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*****NEW*** Proposed 2020 Refunding Bonds**

- 2020 Refunding Bond Sizing set to maximize savings
- Current Assessed Value of CFD 2006-1 Parcels at \$960.5 million
- Value to Lien for 2020 Refunding Bonds is approximately 24 to 1
- City Policy Minimum Value to Lien is 3 to 1
- Acquisition Agreement Minimum Value to Lien is 5 to 1

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NEW Proposed 2020 Refunding Bonds

- Maximum Special Taxes per year:

Parcel Type	Facilities Tax	Maintenance Tax*
Residential	\$ 25,700 / Lot	\$ 2,768/Lot
Non-Residential	\$ 15,000 / Acre	\$ 988/Acre

- 1.5 Acre Commercial Site (3 Parcels)
- 2.8 Acre Hotel Site (3 Parcels)
- 111 Residential Lots included for Proposed 2020 Refunding Bonds:
 - 104 Parcels Sold to Non-Developer Related Parties (“Developed Properties” – 3rd Party)
 - 7 Final Map Properties Sold to Non-Developer Related Parties (“Final Map Properties – 3rd Party)
- 4 Residential Lots Prepaid Facilities Special Tax

* Includes annual CPI adjustments.

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NEW **Proposed 2020 Refunding Bonds**

- Max Annual Special Tax \$3M, with \$2.7M available for Debt Payments due to limit of 110% debt service coverage
- Details of the \$3M Max Annual Special Tax include:
 - 111 Residential Parcels Owned by 3rd Parties \$ 2,929,800
 - Hotel Site 3 Parcels \$ 42,000
 - Commercial Site 3 Parcels (Wave Hotel) \$ 22,350
 - Total Max Annual Special Tax \$ 2,994,150

- *Average Strands Residential Lot Sales Price: \$6,340,060*
- *As of May 21, 2020 there were a total of 18 delinquent parcels in the CFD for FY 2019/2020*



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*****NEW*** Proposed 2020 Refunding Bonds**

- Council Authorization Request will be to Issue 2020 Refunding Bonds in a Not to Exceed amount of \$42,000,000 to refund the existing 2013 and 2014 bonds
- Final Bond Maturity will be September 1, 2043 or less based on final numbers
- Bonds are Non-Recourse to City
- Seeking an underlying rating on the Bonds from Standard & Poor's

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Proposed 2020 Refunding Bonds

Sources of Funds (estimated)

Principal Amount of Bonds	\$39,465,000
Net Original Issue Premium	2,298,150
Current Debt Service Reserve Fund	2,683,862
Special Tax Account	1,257,385
Bond Payment Account	99,635
9/1/2020 Payment on Hand	1,780,247
Total Sources	\$47,584,279

Uses of Funds (estimated)

Escrow Bond Fund	\$44,239,710
Debt Service Reserve Fund	2,678,187
Costs of Issuance	271,732
Underwriter's Discount	394,650
Total Uses	\$47,584,279

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Proposed 2020 Refunding Bonds

SHORTENED TERM SAVINGS STRUCTURE

SUMMARY OF POTENTIAL SAVINGS ⁽¹⁾

	Series 2013	Series 2014	Total
Prior Bonds			
Refunded Par Amount	\$15,755,000	\$24,015,000	\$39,770,000
Refunding Bonds			
Closing Date	8/12/2020	8/12/2020	8/12/2020
Par Amount	\$13,275,000	\$26,190,000	\$39,465,000
True Interest Cost	2.828%	3.593%	3.311%
Refunding Savings Estimates			
Net Gross Savings	\$3,297,364	\$3,228,957	\$6,526,321
Net Present Value Savings (\$)	\$2,329,947	\$987,660	\$3,317,607
Net Present Value Savings (%)	14.789%	4.113%	8.342%

⁽¹⁾ Based on market conditions as of June 15, 2020.

Based on market conditions as of June 15, 2020 the term of the outstanding bonds will be shortened from September 1, 2045 to **September 1, 2043**.



City of Dana Point Community Facilities District 2006-1

Proposed 2020 Refunding Bonds

- Financing and Legal Documents:
 - Authorizing City Council Resolution
 - Bond Purchase Contract with Underwriter Stifel
 - Second Supplemental Fiscal Agent Agreement with Wells Fargo
 - Escrow Agreement with Wells Fargo
 - Preliminary Official Statement
 - Continuing Disclosure Agreement with Willdan Financial Services & Wells Fargo



Proposed Schedule

- ❑ Secure underlying rating from S&P +/- July 20, 2020
- ❑ City Council Approval July 21, 2020
- ❑ Price Refunding Bonds on July 30, 2020
- ❑ Close Refunding Bonds on August 13, 2020

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Proposed 2020 Refunding Bonds

