Sacramento Housing & Redevelopment Agency

REPORT TO CITY COUNCIL, SACRAMENTO CITY FINANCING AUTHORITY AND REDEVELOPMENT AGENCY
of the City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.cityofsacramento.org

PUBLIC HEARING
November 1, 2005

Honorable Mayor and Members of the City Council
Honorable Chair and Members of the Financing Authority
Honorable Chair and Members of the Redevelopment Agency Board

Subject: Issuance of the 2005 Tax Allocation Revenue Bonds, Series A and 2005 Taxable Tax Allocation Revenue Bonds, Series B for the Merged Downtown and Oak Park Projects and Related Actions

Location/Council District:

Merged Downtown Redevelopment Project Area – Districts 1, 3 and 4
Oak Park Redevelopment Project Area – District 5

Recommendation:

Staff recommends that the City Council, the Sacramento City Financing Authority and the Redevelopment Agency approve the attached resolutions authorizing the issuance of the Sacramento City Financing Authority 2005 Tax Allocation Revenue Bonds Series A (Merged Downtown and Oak Park Projects) and 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects). The recommended actions include: 1) issuing bonds not to exceed $165 million by the Financing Authority; 2) executing loan agreements; 3) distributing the Preliminary and Final Official Statements; and 4) executing all documents necessary for the bond issuance.

Additionally, staff recommends that the Redevelopment Agency approve the attached resolution which establishes funding allocation guidelines for the Merged Downtown portion of the bond issuance.

Contact:
Satoshi Matsuda, SHRA Finance Director, 440-1370
Wendy Saunders, City Economic Development Director, 808-7223
Lisa Bates, SHRA City Community Development Director, 440-1322

Presenters: Satoshi Matsuda, SHRA

Department: Sacramento Housing and Redevelopment Agency (Agency)

Summary:

Based on the growth of tax increment revenues, need for additional project funds and current favorable interest rate environment, the issuance of tax allocation revenue bonds is recommended for the Merged Downtown Redevelopment Project Area and for the Oak Park Redevelopment Project Area. The targeted amount of net project funds is $100 million for Merged Downtown and $20 million for Oak Park. The recommendations include authorizing the possible refunding of certain prior bonds if economically feasible and all administrative actions required for the issuance of both Series A and Series B issues.

No specific project approval is being requested. However, based on feedback received from the Agency at their October 11, 2005 meeting, revised funding allocation guidelines for the Merged Downtown portion of the bond are included for review and approval.

Committee/Commission Action:

At its meeting of October 5, 2005, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the bond issue for Oak Park Redevelopment Project Area.

AYES: Burns, Burruss, Fowler, Gore, Hoag, Piatkowski, Shah, Stivers

NOES: None

ABSENT: Coriano, Gale, Simon

Background Information:

Pursuant to California Community Redevelopment Law, redevelopment agencies are required to demonstrate indebtedness in order to continue to receive tax increment (TI) revenues. A typical method redevelopment agencies use to incur debt is to issue tax allocation revenue bonds. The tax allocation revenue bonds (TARBs) are secured by TI revenues derived from the project area and repayment of the bonds is the sole obligation of the specific redevelopment project area involved in the financing.

The proposed financing will involve a tax-exempt and taxable bond component and will be secured by TI from the Merged Downtown and Oak Park project areas. Generally, tax-exempt bonds are issued if the projects anticipated involve construction of infrastructure or if the project funds are needed to assist private development with no repayment of the funds. Taxable funds are used to make loans when repayment is likely. Taxable bonds have higher interest rates than tax-exempt bonds and therefore staff usually recommends that taxable funds be kept at a minimum. Based on the types

of projects anticipated to be financed by this bond issue, staff is recommending that the following percentages be used for the future debt issuance for each project area:

Description	Tax-Exempt	Taxable
Merged Downtown		
Redevelopment	60%	40%
Low/Mod Housing	80%	20%
Oak Park		
Redevelopment	50%	50%
Low/Mod Housing	0%	100%

For these two project areas, bond rating of BBB+ or A- using Standard & Poor's rating criteria is expected. To raise the rating to AAA, the purchase of bond insurance is recommended. In addition, staff is recommending the purchase of surety bonds from the AAA bond insurer in lieu of funding from bond proceeds a large reserve account if obtainable and financially feasible. Staff anticipates that this financing technique can result in $11 to $13 million more in project funds being available.

Staff is recommending refunding a portion of the 1998 Oak Park bonds and a portion of the 1999 Downtown bonds if the net present value savings are greater than 3.00%. If the current interest rate environment continues to pricing, it would be feasible to refund a portion of the Oak Park bonds. If the interest rate environment improves, it would be feasible to refund a portion of the Downtown bonds. Any savings achieved will be used to increase the amount of new bonds issued.

Financing Documents:
The following documents are on file with the Agency Clerk and City Clerk:

- Preliminary Official Statement
- Indenture of Trust
- Merged Downtown loan agreement
- Oak Park loan agreement
- Purchase contract
- Fiscal consultant report
- Continuing disclosure certificate

Financing Team:
The financing team and pricing committee members are identified below:

Redevelopment Agency	Agency Finance Director*
Financing Authority	City Treasurer*
Underwriters	
Senior Manager	Stone & Youngberg, LLC
Co-Managers	Goldman Sachs & Co.
	Merrill Lynch & Co.
	E. Wagner & Associates, Inc.

	Siebert Brandford Shank & Co., LLC
Bond Counsel	Orrick Herrington & Sutcliffe LLP
Disclosure Counsel	Jones Hall
Fiscal Consultant	Fraser & Associates

* Indicates the pricing committee members

Screening and Expenditure Guidelines

On October 11, 2005, in anticipation of the 2005 bond issuance, Agency staff presented New Project Screening and Tax Increment Expenditure Guidelines (Screening and Expenditure Guidelines) for the Merged Downtown Project Area. The Screening and Expenditure Guidelines were originally created in late 2001 in preparation for the Agency's 2002 bond issuance and were slightly modified to incorporate recent redevelopment legislative requirements as well as encouraging opportunities to leverage public and private funds with the upcoming City General Fund borrowing efforts.

Comments from the October 11, 2005, included clarifying the types of projects that could support residential and retail development, including public improvements and transportation-related projects. Based on comments received, revised Screening and Expenditure Guidelines are provided on the resolution beginning on page 17.

Financial Considerations:

The Sacramento City Financing Authority will be the conduit issuer for this bond issue. The recommendations contained in this report should have no financial impact to the Financing Authority or City. The obligations to repay the bonds are totally the responsibility of the Merged Downtown and Oak Park project areas. The Agency will enter into loan agreements with the Financing Authority under which the TI from the applicable project area is pledged. The loan agreements are the sole security to the bond buyers and financial obligations solely belong to the applicable project area.

Environmental Considerations:

The redevelopment plans for the Merged Downtown and Oak Park project areas were subject to environmental review at the time of adoption and amendment. Projects undertaken within the project areas that may be funded with the bond proceeds are subject to environmental review individually prior to their approval.

The proposed action to issue bonds as a financing mechanism that does not involve a commitment to any specific project is exempt from environmental review per CEQA Guidelines Section 15378(b)(4). This action is not subject to NEPA.

Policy Considerations:

There is no policy consideration associated with this report. Recommendations are consistent with past redevelopment bond issuance actions.

Emerging Small Business Development (ESBD):

To the extent that any federal statutes may apply, the Agency will comply with required Minority- and Women-Owned Business requirements.

Respectfully Submitted by: _____
Wendy S. Saunders
Economic Development Director
City of Sacramento

Respectfully Submitted by: _____
Anne M. Moore
Executive Director
Sacramento Housing and
Redevelopment Agency

Recommendation Approved:

_____
ROBERT P. THOMAS
City Manager

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RESOLUTION NO. 2005 -

Adopted by the Sacramento City Council

APPROVING THE PROPOSED FINANCING
OF THE MERGED DOWNTOWN AND OAK PARK PROJECTS
THROUGH THE ISSUANCE BY THE SACRAMENTO CITY FINANCING
AUTHORITY OF ITS 2005 TAX ALLOCATION REVENUE BONDS,
SERIES A (MERGED DOWNTOWN AND OAK PARK PROJECTS), AND
ITS 2005 TAXABLE TAX ALLOCATION REVENUE BONDS, SERIES B
(MERGED DOWNTOWN AND OAK PARK PROJECTS)
AND THE LOAN OF THE PROCEEDS THEREOF TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

BACKGROUND

A. The Redevelopment Agency of the City of Sacramento (the "Agency") proposes to enter into a Loan Agreement (the "Merged Downtown Loan Agreement") with the Sacramento City Financing Authority (the "Authority") and a trustee to be named therein (the "Trustee"), relating to the proposed financing by the Agency of the Merged Downtown Project Area Redevelopment Project to be located within the geographic boundaries of the Agency, as more particularly described in the copies of such loan agreement on file with the City Clerk of the City of Sacramento (the "City").

B. The Agency proposes to enter into a Loan Agreement (the "Oak Park Loan Agreement" and together with the Merged Downtown Loan Agreement, the "Loan Agreements") with the Authority and the Trustee, relating to the proposed financing by the Agency of the Oak Park Project Area Redevelopment Project to be located within the geographic boundaries of the Agency, as more particularly described in the copies of such loan agreement on file with the City Clerk of the City.

C. In order to provide funds to the Authority to make the loans to the Agency pursuant to the Loan Agreements concurrent with the execution and delivery of the Loan Agreements, the Authority proposes to issue its 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) (the "Series A Tax-Exempt Bonds") and its 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects) (the "Series B Taxable Bonds" and together with the Series A Tax-Exempt Bonds, the "Bonds").

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. All of the foregoing recitals are true and correct, and the City Council so finds and determines. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 2. The City Council approves of the Agency entering into the Merged Downtown Loan Agreement in the aggregate principal amount of not to exceed one hundred sixty-five million dollars ($165,000,000) and the Oak Park Loan Agreement in the aggregate principal amount of not to exceed forty-five million dollars ($45,000,000), in substantially the forms of such loan agreements presented to this meeting, with such insertions, deletions and other modifications considered appropriate by the Agency and otherwise not inconsistent with this resolution, provided that the true interest cost of such Loan Agreements shall not exceed five and 75/100 percent (5.75%) per annum with respect to the portion of the loans made from proceeds of the Series A Tax-Exempt Bonds and six and 75/100 percent (6.75%) per annum with respect to the portion of the loans made from the proceeds of the Series B Taxable Bonds.

Section 3. This resolution shall take effect from and after its passage and adoption.

RESOLUTION NO. 2005 - ____

Adopted by the Sacramento City Financing Authority

AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF NOT TO EXCEED $165,000,000 AGGREGATE PRINCIPAL AMOUNT OF SACRAMENTO CITY FINANCING AUTHORITY 2005 TAX ALLOCATION REVENUE BONDS, SERIES A (MERGED DOWNTOWN AND OAK PARK PROJECTS) AND $45,000,000 AGGREGATE PRINCIPAL AMOUNT OF SACRAMENTO CITY FINANCING AUTHORITY 2005 TAXABLE TAX ALLOCATION REVENUE BONDS, SERIES B (MERGED DOWNTOWN AND OAK PARK PROJECTS); AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE AND RELATED LOAN AGREEMENTS, AND A BOND PURCHASE CONTRACT IN CONNECTION THEREWITH, AND APPROVING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT FOR SUCH BONDS; AND AUTHORIZING THE EXECUTION, DELIVERY AND DISTRIBUTION OF A FINAL OFFICIAL STATEMENT FOR SUCH BONDS; AND AUTHORIZING THE REFINANCING OF CERTAIN PRIOR BONDS; AND APPROVING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

BACKGROUND

A. The Sacramento City Financing Authority is a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority").

B. The Redevelopment Agency of the City of Sacramento (the "Agency") has determined that it is in the best interests of the Agency to enter into a Merged Downtown Loan Agreement in the aggregate principal amount of not to exceed one hundred sixty-five million dollars ($165,000,000) and an Oak Park Loan Agreement in the aggregate principal amount of not to exceed forty-five million dollars ($45,000,000) (collectively, the "Loan Agreements") each with the Authority and a trustee to be named therein (the "Trustee"), in substantially the forms presented to this meeting.

C. Under the Loan Agreements, the Agency will be obligated to make loan payments to the Authority.

D. The Authority proposes to issue its 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) (the "Series A Tax-Exempt Bonds") and its 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects) (the "Series B Taxable Bonds" and together with the Series A Tax-Exempt Bonds, the "Bonds") pursuant to an Indenture (the "Indenture") by and between the Authority and the Trustee, the proceeds of which Bonds will be used by the Authority to purchase the Loan Agreements

from the Agency and may be used to refinance, in whole or in part, the Agency's Merged Downtown Sacramento Redevelopment Project Tax Allocation Bonds, Series 1998A and the portions of the Authority's 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects) and it's 2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects) loaned to the Agency (collectively, the "Prior Bonds"), and the Agency has determined that on the date of issuance of the Bonds the projects to be financed or refinanced with the proceeds of the Bonds will be located within the geographic boundaries of the Agency.

E. The Authority will assign, without recourse, all its rights to receive such loan payments from the Agency under the Loan Agreements to the Trustee, for the benefit of the registered owners of the Bonds.

F. In connection with the issuance of the Bonds, the Authority will cause the distribution of a Preliminary Official Statement for the Bonds (the "Preliminary Official Statement") and the Authority will enter into a Purchase Contract providing for the sale of the Bonds (the "Purchase Contract"), all in substantially the forms of the Preliminary Official Statement and the Purchase Contract presented to this meeting, and (after the sale of the Bonds) the Authority will execute and deliver and cause the distribution of a Final Official Statement for the Bonds (the "Final Official Statement").

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE SACRAMENTO CITY FINANCING AUTHORITY RESOLVES AS FOLLOWS:

Section 4. All of the above recitals are true and correct, and the Authority so finds and determines. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 5. The Authority hereby approves the Loan Agreements, and the Treasurer or his designee is hereby authorized and directed to execute the Loan Agreements for and on behalf of the Authority, and the Secretary is hereby authorized and directed to attest such execution and to deliver the Loan Agreements. As executed and delivered, the Loan Agreements shall be in substantially the form presented to this meeting, with such additions thereto or changes therein as the Treasurer or his designee shall require or approve, including without limitation any such additions or changes required by Section 6 of this Resolution or by the providers of credit enhancement for the Bonds and not otherwise inconsistent with this resolution, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Authority hereby approves the Indenture, and the Treasurer or his designee is hereby authorized and directed to execute the Indenture for and on behalf of the Authority, and the Secretary is hereby authorized and directed to attest such execution and to deliver the Indenture. As executed and delivered, the Indenture shall be in substantially the form presented to this meeting, with such additions thereto or

changes therein as the Treasurer or his designee shall require or approve, including without limitation any such additions or changes required by Section 6 of this Resolution or by the providers of credit enhancement for the Bonds and not otherwise inconsistent with this resolution, such approval to be conclusively evidenced by the execution and delivery thereof. The Bonds authorized to be issued under such Indenture, when executed, shall be delivered to the Trustee for authentication by the Trustee, and the Trustee is hereby requested and directed to authenticate the Bonds by executing the Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Representative hereinafter defined in accordance with written instructions executed on behalf of the Treasurer or his designee, which instructions said officer is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the Trustee and which instructions shall provide for the delivery of the Bonds to such Representative upon payment of the purchase price thereof.

Section 7. The Purchase Contract between Stone & Youngberg LLC, as the representative of the underwriters of the Bonds (the "Representative"), and the Authority, and as approved by the Agency, in substantially the form presented to this meeting, providing for the sale of the Bonds by the Authority to the Representative, is hereby approved by the Authority for execution and delivery by the Authority to the Representative, and the Treasurer or his designee is hereby authorized and directed (after the approval of the Agency) to execute the Purchase Contract for and on behalf of the Authority and to deliver the Purchase Contract. As executed and delivered, the Purchase Contract shall be in substantially the form presented to this meeting, with such additions thereto or changes therein as the officer executing the Purchase Contract shall require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the Bonds shall be in a combined principal amount not to exceed two hundred ten million dollars ($210,000,000), and shall bear interest at a true interest cost not to exceed five and 75/100 percent (5.75%) per annum with respect to the Series A Tax-Exempt Bonds and six and 75/100 percent (6.75%) per annum with respect to the Series B Taxable Bonds.

Section 8. The Treasurer or his designee is hereby authorized and directed for and on behalf of the Authority to approve the distribution of the Preliminary Official Statement, in substantially the form presented to this meeting, and to certify on behalf of the Authority that the Preliminary Official Statement has been "deemed final" by the Authority, except for certain final pricing and related information pursuant to Rule 15c2-12 of the Securities and Exchange Commission, and (after the sale of the Bonds) the Treasurer or his designee is hereby authorized and directed for and on behalf of the Authority (after the approval of the Agency) to execute and deliver to the Representative the Final Official Statement, with such additions thereto or changes therein as the Treasurer or his designee shall require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Representative is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds and is directed to distribute copies of the Final Official Statement to all actual purchasers of the Bonds.

Section 9. The officers of the Authority are hereby each authorized and directed, jointly and severally, to do any and all things and to execute any and all documents necessary to refund all or a portion of the Prior Bonds with proceeds of the Bonds if such refunding will result in at least a three percent net present value savings based on a discount rate equal to the arbitrage yield on the Bonds.

Section 10. The Authority hereby approves the Agreement for Bond Counsel Services, dated as of August 1, 2005 (the "Agreement for Bond Counsel Services"), among the Authority, the Agency and Orrick, Herrington & Sutcliffe LLP, and the Treasurer or his designee is hereby authorized and directed to execute the Agreement for Bond Counsel Services for and on behalf of the Authority. As executed and delivered, the Agreement for Bond Counsel Services shall be in substantially the form presented to this meeting, with such additions thereto or changes therein as the Treasurer or his designee shall require or approve, and not otherwise inconsistent with this Resolution, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 11. The officers of the Authority are hereby each authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including without limitation, escrow agreements, any other documents as may be required in order to obtain bond insurance or one or more reserve fund credit instruments or to issue the Bonds in one or more series, which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution, the Loan Agreements, the Indenture, the Purchase Contract and the Bonds, including the purchase of one or more bond insurance policies for the Bonds if deemed desirable and the purchase of one or more reserve fund credit instruments if deemed desirable, and any such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 12. This resolution shall take effect from and after its passage and adoption.

RESOLUTION NO. 2005 - _____

Adopted by the Redevelopment Agency of the City of Sacramento

AUTHORIZING THE EXECUTION AND DELIVERY OF LOAN AGREEMENTS WITH THE SACRAMENTO CITY FINANCING AUTHORITY TO PROVIDE FOR THE FINANCING AND REFINANCING OF THE MERGED DOWNTOWN PROJECT AREA AND OAK PARK PROJECT AREA REDEVELOPMENT PROJECTS; AND AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE CERTIFICATE FOR THE SACRAMENTO CITY FINANCING AUTHORITY 2005 TAX ALLOCATION REVENUE BONDS, SERIES A (MERGED DOWNTOWN AND OAK PARK PROJECTS) AND THE SACRAMENTO CITY FINANCING AUTHORITY 2005 TAXABLE TAX ALLOCATION REVENUE BONDS, SERIES B (MERGED DOWNTOWN AND OAK PARK PROJECTS); AND AUTHORIZING THE APPROVAL OF A BOND PURCHASE CONTRACT FOR SUCH BONDS; AND APPROVING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT FOR SUCH BONDS; AND AUTHORIZING THE EXECUTION, DELIVERY AND DISTRIBUTION OF A FINAL OFFICIAL STATEMENT FOR SUCH BONDS; AND AUTHORIZING THE REFINANCING OF CERTAIN PRIOR BONDS; AND DETERMINING THERE ARE SIGNIFICANT PUBLIC BENEFITS TO THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO FROM SUCH PROPOSED FINANCING AND APPROVING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

BACKGROUND

A. The Sacramento City Financing Authority (the "Authority") is authorized pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State of California, and all laws amendatory thereof or supplemental thereto, to issue revenue bonds to provide funds to assist local entities to finance or refinance capital improvements in order that such local entities may achieve their public purposes.

B. The Redevelopment Agency of the City of Sacramento (the "Agency") is authorized to transact business and exercise powers under and pursuant to the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"), and has the power under Section 33601 of the Redevelopment Law to borrow money for any of its corporate purposes.

C. One or more redevelopment plans for a redevelopment project known and designated as the "Redevelopment Agency of the City of Sacramento Merged Downtown Project Area Redevelopment Project" and a redevelopment plan for a redevelopment project known and designated as the "Redevelopment Agency of the City of Sacramento Oak Park Project Area Redevelopment Project" (collectively, the "Redevelopment Projects"), both located in the City of Sacramento, have been adopted in compliance with all requirements of the Redevelopment Law.

D. For the purpose of financing and refinancing redevelopment activities within or of benefit to the Redevelopment Projects, the Agency has requested the Authority to make loans (the "Loans") to the Agency under a Merged Downtown Loan Agreement in the aggregate principal amount of not to exceed one hundred sixty-five million dollars ($165,000,000) and an Oak Park Loan Agreement in the aggregate principal amount of not to exceed forty-five million dollars ($45,000,000) (collectively, the "Loan Agreements"), each to be entered into among the Agency, the Authority and a trustee to be named therein, in substantially the forms of the Loan Agreements presented to this meeting.

E. In order to provide funds to the Authority to make the Loans to the Agency as well as for other purposes, concurrent with the execution and delivery of the Loan Agreements, the Authority will issue its 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) (the "Series A Tax-Exempt Bonds") and its 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects) (the "Series B Taxable Bonds," and together with the Series A Tax-Exempt Bonds, the "Bonds"); proceeds of the Bonds may also be used to provide funds to refinance, in whole or in part, the Agency's Merged Downtown Sacramento Redevelopment Project Tax Allocation Bonds, Series 1998A and the portions of the Authority's 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects) and it's 2002 Revenue Bonds, Series A (City Hall and Redevelopment Projects) loaned to the Agency (collectively, the "Prior Bonds").

F. In connection with the issuance of the Bonds, the Authority and the Agency will approve the distribution of a Preliminary Official Statement for the Bonds (the "Preliminary Official Statement") and the Agency will approve of the Authority entering into a Bond Purchase Contract providing for the sale of the Bonds (the "Bond Purchase Contract") and the Agency will execute a Continuing Disclosure Certificate for the Bonds (the "Continuing Disclosure Certificate") in compliance with Securities and Exchange Commission Rule 15c2-12(b)(5), in substantially the forms of the Preliminary Official Statement, the Bond Purchase Contract and the Continuing Disclosure Certificate presented to this meeting, and (after the sale of the Bonds) the Authority and the Agency will execute and deliver and authorize the distribution of a Final Official Statement for the Bonds (the "Final Official Statement").

G. The Agency called a public hearing which was held by the Agency on Tuesday, the 1st day of November, 2005, at the hour of 7:00 o'clock P.M., at the regular meeting place of the Agency, City Council Chambers, Sacramento City Hall, 915 I Street, Sacramento, California 95814, to consider the proposed financing or refinancing of the projects to be financed or refinanced (the "Projects") and located within the geographic boundaries of the Agency, by the issuance and sale of the Bonds, and whether there are any significant public benefits to the Agency from such proposed financing, including demonstrable savings from the issuance and sale of the Bonds, such as savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs (in accordance with Section 6586 of the California Government Code).

H. A notice of such public hearing was duly published by the Agency as required by law in The Sacramento Bee, a newspaper of general circulation in the county wherein the Projects are located, and a copy of the proof of publication of such notice of public hearing is on file in the office of the Secretary of the Agency.

I. Such public hearing was duly convened by the Agency at the time and place set forth in the notice of public hearing therefore, and at such public hearing the Agency heard all interested persons desiring to be heard.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

Section 13. All of the foregoing recitals are true and correct, and the Agency so finds and determines. All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated in the staff report that accompanies this resolution, are approved.

Section 14. The Agency hereby determines that there are significant public benefits to the Agency from the proposed financing in that there will be demonstrable savings from the issuance and sale of the Bonds and the financing and refinancing of the Projects with proceeds of the Bonds, including savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs (in accordance with Section 6586 of the California Government Code).

Section 15. The Agency hereby approves the Loan Agreements, and the Executive Director of the Agency (the "Executive Director") or her designee is hereby authorized and directed to execute the Loan Agreements for and on behalf of the Agency, and the Secretary of the Agency (the "Secretary") is hereby authorized and directed to attest such execution and to deliver the Loan Agreements. As executed and delivered, the Loan Agreements shall be in substantially the forms presented to this meeting, with such additions thereto or changes therein as the officer executing the Loan Agreements shall require or approve, including without limitation any such additions or changes required by Section 7 of this Resolution and by the providers of credit enhancement for

the Bonds and not otherwise inconsistent with this resolution, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 16. The Bond Purchase Contract between Stone & Youngberg LLC, as the representative of the underwriters (the Representative"), and the Authority, in substantially the form presented to this meeting, providing for the sale of the Bonds by the Authority to the Representative, is hereby authorized to be approved by the Agency for execution by the Executive Director or her designee and delivery to the Representative. The Executive Director or her designee is hereby authorized and directed to indicate the Agency's final approval by executing and delivering the Bond Purchase Contract. As so approved, the Bond Purchase Contract shall be in substantially the form presented to this meeting, with such additions thereto or changes therein as the officer executing the Bond Purchase Contract shall require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the Bonds shall be in a combined principal amount not to exceed two hundred ten million dollars ($210,000,000) and shall bear interest at a true interest cost not to exceed five and 75/100 percent (5.75%) per annum with respect to the Series A Tax-Exempt Bonds and six and 75/100 percent (6.75%) per annum with respect to the Series B Taxable Bonds.

Section 17. The Agency hereby approves the Continuing Disclosure Certificate, and the Executive Director or her designee is hereby authorized and directed to execute the Continuing Disclosure Certificate for and on behalf of the Agency and to deliver the Continuing Disclosure Certificate. As executed and delivered, the Continuing Disclosure Certificate shall be in substantially the form presented to this meeting, with such additions thereto or changes therein as the officer executing the Continuing Disclosure Certificate shall require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 18. The Executive Director or her designee is hereby authorized and directed for and on behalf of the Agency to approve the distribution of the Preliminary Official Statement, in substantially the form presented to this meeting and to certify on behalf of the Agency that the Preliminary Official Statement has been "deemed final" by the Agency, except for certain final pricing and related information pursuant to Rule 15c2-12 of the Securities Exchange Commission, and after the sale of the Bonds, the Executive Director or her designee is hereby authorized and directed for and on behalf of the Agency to execute and deliver to the Representative the Final Official Statement, with such additions thereto or changes therein as the Authority and the Agency shall require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; and the Representative is hereby directed to distribute copies of the Final Official Statement to all actual purchasers of the Bonds.

Section 19. The officers of the Agency are hereby each authorized and directed, jointly and severally, to do any and all things and to execute any and all documents necessary to refund all or a portion of the Prior Bonds with proceeds of the Bonds if such refunding will result in at least a three percent net present value savings based on a discount rate equal to the arbitrage yield on the Bonds.

Section 20. The Agency hereby approves the Agreement for Bond Counsel Services, dated as of August 1, 2005 (the "Agreement for Bond Counsel Services"), among the Agency, the Authority and Orrick, Herrington & Sutcliffe LLP, and the Executive Director or his designee is hereby authorized and directed to execute the Agreement for Bond Counsel Services for and on behalf of the Authority. As executed and delivered, the Agreement for Bond Counsel Services shall be in substantially the form presented to this meeting, with such additions thereto or changes therein as the Executive Director or his designee shall require or approve, and not otherwise inconsistent with this Resolution, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 21. The officers of the Agency are hereby each authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including without limitation, escrow agreements and any other documents as may be required in order to obtain bond insurance or one or more reserve fund credit instruments, or to issue the Bonds in one or more series, which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution, the Loan Agreements, the Bond Purchase Contract and the Bonds, including the purchase of a bond insurance policy and one or more reserve fund credit instruments for the Bonds if deemed desirable, and any such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 22. This resolution shall take effect from and after its passage and adoption.

RESOLUTION No. _____

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF _____

MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT AREA: APPROVAL OF SCREENING AND EXPENDITURE GUIDELINES

BACKGROUND

A. On December 11, 2001, the Agency approved Guidelines for New Project Screening and Tax Increment Expenditures (Screening and Expenditure Guidelines).

B. On March 15, 2005, the Agency adopted the third amendment to the Redevelopment Plan (Plan Amendment). The Plan Amendment extends both the time limit of the effectiveness of the Project Area and the receipt of tax increment.

C. In December 2004, the Agency adopted the Five-Year Implementation Plan (Implementation Plan), which outlined projects and programs in the following focus areas to fulfill the Agency's redevelopment goals of remedying physical and economic conditions causing blight:

1. Creating Places and Destinations – Retail, Entertainment and Tourism.
2. Living Downtown – New Downtown Housing Initiatives
3. The Urban Waterfront
4. Making Connections and Places – Downtown Streets and Open Spaces.

D. On October 11, 2005 the Agency approved an intent resolution for revised Screening and Expenditure Guidelines.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO RESOLVES:

Section 1: The above statements are true and correct.

Section 2: The Agency approves the following revised Screening and Expenditure Guidelines for the use of tax increment funds and debt proceeds anticipated from the date of this action through 2010:

1. Approximately 40 to 50% of projected resources devoted to projects that support retail, entertainment and other similar development, including:

- Projects that will activate street life and attract new shoppers, visitors and businesses to the downtown core;
- Projects focused within the JKL Corridor (J, K and L Streets from 4th to 15th streets) and the remaining Old Sacramento redevelopment sites and especially in areas of significant blight; and
- Public improvements to support retail and entertainment developments.

2. Approximately 40 to 50% of projected resources devoted to projects that support urban residential development, including:

   - 30% allocation for low- and moderate-income housing required by California law;
   - Projects that support and address the full spectrum of housing needs;
   - Projects located within or in proximity to the Project Area, and specifically within the JKL Corridor; and
   - Public improvements to support residential developments.

3. Approximately 10 to 20% of projected resources devoted to public improvements, and open space, including:

   - Projects aimed at filling in gaps in the streetscape environment;
   - Projects that create clear and safe pathways between destination points;
   - Projects that improve view corridors and celebrate City assets (the Capitol, City Hall, waterfront, parks, etc.);
   - Transportation related projects that improve access and support redevelopment objectives; and
   - Open space venues along the Sacramento urban riverfront.

Additionally, proposed projects shall be screened by the following criteria:

- **Baseline Evaluation** - Projects must meet all or a majority of the following criteria:
  - Contribute to achieving the vision of adopted 5-year Redevelopment Strategy;
  - Remove blight;
  - Leverage significant private or public investment;
  - Spur additional private investment in the vicinity;
  - Contribute to City revenues; and
  - Create jobs.

- **Project Premiums** - Projects that meet some or all of the following criteria shall be given priority:
  - Achieve multiple redevelopment goals;

- Take advantage of an existing asset or investment;
- Appeal to a large group of users;
- Contribute significantly to the aesthetic environment; and
- Employ smart growth principles and infill development strategies.