Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.7848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: BATA Oversight Committee

DATE: October 2, 2013

FR: Deputy Executive Director, Operations

W. I. 1254

RE: BATA Resolution No. 109 – Air District Financing Plan

Under this item, staff is recommending that the Committee refer BATA Resolution No. 109 authorizing a contribution of $30 million to the Bay Area Headquarters Authority (BAHA) to assist in the completion of the Bay Area Air Quality Management District's (the Air District) purchase of its office space at 375 Beale Street.

Since the inception of the plan to relocate the four regional agencies into a single regional headquarters facility, BATA has contemplated providing financial assistance to the Air District and ABAG in order facilitate the move. BATA is negotiating to provide equivalent office space to ABAG, for example, in exchange for the transfer of all ABAG's ownership rights at the current 101 Eighth Street location.

The Air District previously signed a Lease/Purchase Agreement providing it the option to lease or purchase its 375 Beale Street office space over the next 10 years for a purchase price of $385 per retail space foot. The approximately $29 million purchase price includes the development, furniture and improvements necessary to move the Air District into the building.

While the Air District has financial resources of its own, the acquisition was always considered challenging, because the Air District is limited in the amount of debt it may issue. This limitation would make it nearly impossible for the Air District to finance the acquisition in the traditional public finance market where debt is offered through public sale of tax-exempt securities.

BATA and the Air District have developed a structure where BATA will contribute funds to BAHA, which will finance the acquisition through a privately placed taxable financing. The transaction will involve:

- The Air District's acquisition of 375 Beale Street space for $29 million.
- The Air District will finance the acquisition through the issuance of $30 million in Certificates of Participation (COPs).
- BATA will contribute $30 million to BAHA to acquire the COPs.
- BAHA will underwrite the transaction and acquire the COPs as an investment.
- The Air District will make annual payments consistent with the following terms:
  - The transaction will be variable rate with pre-determined rate caps.

- Payments are set in advance for all 30 years at $1.2 million (years 1-10) and $1.370 million (years 11-30).

- When rates are below cap, additional payment applies directly to principal.

- The Air District will "prepay" principal of at least $8 million from the sale of its current building reducing the net funding requirement to approximately $22 million.

- The Air District will make monthly payments to BAHA.

- BAHA will transfer the $30 million purchase proceeds to BATA to return BATA's contribution.

- BAHA will return annual lease payments to BATA as part of the annual settlement.

- The Air District will own its space throughout the term of the transaction.

While the contribution/financing mechanism is complex from a legal structuring standpoint, the structure will allow the Air District to complete the acquisition without violating its strict debt limitation.

BATA's risk in the transaction is mitigated by several layers of protection. The protections include:

- BATA will receive its $30 million in cash for the acquisition.

- BATA will receive SIFMA (Securities Industry and Financial Marketing Association Index) + 1.20% up to the cap.

- Interest rate caps are reasonable and below current treasury equivalents.

Year	Cap	Treasury Rate
0-5	3.2%	1.69%
6-10	4.2%	2.88%
11-30	5.2%	3.83%

- The Air District space will be security at all times against non-payment.

The Air District and BATA staffs believe we have achieved a well collateralized and cost effective mechanism to facilitate the Air District's acquisition of its 375 Beale Street office space.

Staff requests the Committee forward BATA Resolution No. 109 to the Authority for approval.

Andrew B. Fremier

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Date: October 23, 2013
W.I.: [1254]
Referred by: BATA Oversight

ABSTRACT

BATA Resolution No. 109

This resolution approves the contribution of funds to the Bay Area Headquarters Authority. Discussion of this action is contained in the Executive Director's Memorandum dated October 2, 2013.

Date: October 23, 2013
W.I.: [1254]
Referred by: BATA Oversight

Re: Contribution of Funds to Bay Area Headquarters Authority

BAY AREA TOLL AUTHORITY

RESOLUTION NO. 109

WHEREAS, the Bay Area Toll Authority ("BATA") was created pursuant to Section 30950 of the Streets and Highways Code of the State of California; and

WHEREAS, BATA is a "public agency" within the meaning of Section 6500 of the California Joint Exercise of Powers Act, consisting of Sections 6500 through 6599.3 of the California Government Code, as amended from time to time (the "Joint Powers Act"), and as such may, pursuant to the Joint Powers Act, enter into a joint exercise of powers agreement with one or more other public agencies; and

WHEREAS, the Metropolitan Transportation Commission ("MTC") is the regional transportation planning agency for the San Francisco Bay Area pursuant to California Government Code section 66500 et seq. and is a "public agency" as that term is defined in Section 6500 of the Joint Powers Act; and

WHEREAS, BATA and MTC have entered into a joint exercise of powers agreement, dated September 28, 2011 (the "Agreement") pursuant to the Joint Powers Act pursuant to which a joint powers authority named Bay Area Headquarters Authority (the "Authority") was created to plan, acquire, and develop office space and facilities and undertake related activities by

exercising the common powers of BATA and MTC and the powers separately conferred by law upon the Authority; and

WHEREAS the Authority currently owns and is in the process of remodeling an office building located at 375 Beale Street, San Francisco, California, and has agreed to lease a portion thereof (the "Premises") to the Bay Area Air Quality Management District (the "District") pursuant to an office lease effective April 19, 2012 (the "Lease"), between the Authority and the District; and

WHEREAS, the District desires to exercise its option to purchase the Premises pursuant to the Lease on the date certain contractual conditions precedent thereto are met; and

WHEREAS, in order to accomplish the purposes described above it is desirable and necessary that the Authority purchase certificates of participation entitled "Bay Area Air Quality Management District Certificates of Participation (BAAQMD Office Project)," in an aggregate principal not to exceed $30,000,000 (the "Certificates"), each evidencing and representing a fractional undivided interest in certain payments of the District, the proceeds of which will be used by the District to purchase the Premises; and

WHEREAS, the Authority has the power, pursuant to Government Code Section 6588 to purchase the Certificates and thereby assist the District in financing the purchase of the Premises; and

WHEREAS, it is to the advantage of BATA and in the public interest of the area and persons served by BATA for BATA to contribute funds to the Authority in accordance with the

Agreement in order to assist the Authority in accomplishing the purposes set forth in the Agreement and described herein; and

WHEREAS, all acts, conditions and things required by the Constitution and the laws of the State of California to exist, to have happened and to have been performed in connection with the taking of the actions referred to herein and the contribution of funds to the Authority in accordance with the Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and BATA is now duly authorized and empowered, pursuant to each and every requirement of law, to make such contribution to the Authority; now, therefore, be it

RESOLVED, that BATA specifically finds and declares that the statements, findings and determinations of BATA set forth in the preambles above are true and correct; and be it further

RESOLVED, that BATA hereby authorizes a contribution of an additional $30,000,000 to the Authority pursuant to Section 7 of the Agreement to provide funds for the purpose of purchasing the Certificates; and be it further

RESOLVED, that BATA hereby authorizes the Executive Director of BATA and the Chief Financial Officer of BATA, and each of them (each, an "Authorized Representative"), for and on behalf of BATA, to take all necessary actions to assist the Authority in connection with such contribution; and be it further

RESOLVED, that the Authorized Representatives and the other officers and agents of BATA are hereby authorized and directed to take all further actions necessary and convenient to accomplish the purposes of this resolution and that all actions heretofore taken by the members

of BATA, committees of BATA, and officers and agents of BATA with respect to the Agreement and the contributions herein authorized are hereby acknowledged, ratified, and approved; and, be it further

RESOLVED, that this Resolution shall take effect from and after its adoption.

BAY AREA HEADQUARTERS AUTHORITY

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Amy Rein Worth, Chair

The above resolution was entered into by the
Bay Area Toll Authority at a regular meeting
of BATA held in Oakland, California, on
October 23, 2013.