

# **IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY**

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**2013 Tax Allocation Refunding Bonds  
(Palm Avenue/Commercial Redevelopment Project)  
2017/18 Continuing Disclosure Annual Report  
Fiscal Year Ended June 30, 2017**

## **OFFICE LOCATIONS:**

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Prepared by:



# IMPERIAL BEACH REDEVELOPMENT AGENCY SUCCESSOR AGENCY

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**\$17,260,000**  
**Imperial Beach Redevelopment Agency**  
**Successor Agency**  
**2013 Tax Allocation Refunding Bonds**  
**(Palm Avenue/Commercial Redevelopment Project)**

**DATED: December 4, 2013**

## CUSIP NOS.

<u>MATURITY</u>	<u>CUSIP</u>	<u>MATURITY</u>	<u>CUSIP</u>
2017	452622AA1	2024	452622AH6
2018	452622AB9	2025	452622AJ2
2019	452622AC7	2026	452622AK9
2020	452622AD5	2027	452622AL7
2021	452622AE3	2028	452622AM5
2022	452622AF0	2029	452622AN3
2023	452622AG8	2033	452622AP8

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NBS has relied upon information provided by sources which are believed to be reliable without independent verification, therefore we express no opinion as to the completeness, accuracy or suitability of such information.

# 1. INTRODUCTION

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The purpose of this report is to provide information to the Electronic Municipal Market Access (EMMA) in order to comply with the provisions contained in the Continuing Disclosure Certificate (the “Disclosure Certificate”) for the \$17,260,000 Imperial Beach Redevelopment Agency Successor Agency 2013 Tax Allocation Refunding Bonds (Palm Avenue/Commercial Redevelopment Project) (the “2013 Bonds”) and to furnish other information which may be of interest to holders of the 2013 Bonds. The Disclosure Certificate was executed and delivered by the Imperial Beach Redevelopment Agency Successor Agency (the “Successor Agency”) for the benefit of the holders and beneficial owners of the 2013 Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

## 2. CONTENT OF ANNUAL REPORT

### 2.1 Audited Financial Statements

Audited Financial Statements prepared by the Successor Agency for Fiscal Year ended June 30, 2017 will be forwarded to EMMA under separate cover. The statements are incorporated herein by reference.

### 2.2 Taxable Assessed Values in the Project Area

The taxable secured assessed value in the Project Area for Fiscal Year 2016/17 is \$1,841,856,868.

### 2.3 Top Ten Largest Local Secured Taxpayers

The table below shows the ten (10) largest local secured taxpayers in the Project Area for Fiscal Year 2016/17.

Assessee (1)	Number of Parcels	Type of Use	Total Assessed Value (2)	% of Total Value
Seacoast Inn LP	2	Commercial	\$38,868,686	2.11%
Imperial Strand Holdings LLC	4	Residential	24,110,357	1.31%
J E N California 2 LLC	2	Vacant	19,600,000	1.06%
Walz Family Trust	4	Residential	14,507,275	0.79%
1400-13 <sup>th</sup> Street Imperial House Apt LLC	2	Residential	9,796,186	0.53%
Mariners Point Holdings LLC	1	Residential	9,523,064	0.52%
I B Coastal LLC	4	Residential	8,147,888	0.44%
Craig E Knudson Trust	2	Residential	8,007,308	0.43%
Shurgard-Resco III LLC	1	Industrial	7,052,759	0.38%
I B Villas II LLC	2	Residential	6,913,851	0.38%
<b>Total</b>	<b>24</b>		<b>\$146,527,374</b>	<b>7.96%</b>

(1) Based on ownership of locally-assessed secured and unsecured property in the Original and Amended Project Areas.

(2) The Total Assessed Value is equal to the sum of the land and improvement values for each parcel.

Source: San Diego County Assessor 2016/17 Combined Tax Rolls and the SBE Non-Unitary Tax Roll

## 2.4 Appeals by Top Ten Largest Local Secured Taxpayers

There are currently no appeals by any of the Top Ten Taxable Secured Taxpayers within the Project Area for Fiscal Year 2016/17.

## 2.5 Tax Revenues

The table below provides an estimate of tax revenues for the Project Area for Fiscal Year 2016/17:

Source	Excluding Housing Set-Aside Taxable Value (1)	Including Housing Set-Aside Taxable Value (1)
Total Tax Increment Revenue	\$11,006,616	\$11,006,616
Liens on Tax Increment		
Property Tax Administration Fees	(\$134,606)	(\$134,606)
Housing Set-Aside (2)	(0)	(2,201,323)
Statutory Tax Sharing Payments (3)	<u>(2,880,000)</u>	<u>(2,880,000)</u>
<b>Tax Revenue</b>	<b>\$7,992,010</b>	<b>\$5,790,687</b>

(1) Based on actual taxable values per San Diego County Auditor and Controller.

(2) Reflects 20% of total tax increment revenue. The amount has not been reduced for the portion of bond debt service that can be paid from the Housing Set-Aside for the Bonds.

(3) Required per Section 33607.5 of the Redevelopment Law.

## 2.6 Debt Service Coverage

The following table shows the ratio of Tax Increment Revenues available to pay debt service on the 2013 Bonds in Fiscal Year 2016/17:

Fiscal Year 2016/17	Excluding Housing Set-Aside	Including Housing Set-Aside
Total Revenue Available for Debt Service	\$7,992,010	\$5,790,687 (1)
2010 Bonds Debt Service	\$1,281,706	\$1,281,706
2013 Bonds Debt Service	<u>935,462</u>	<u>935,462</u>
Total Debt Service	\$2,217,168	\$2,217,168
Debt Service Coverage (2)	3.60:1	2.61:1

(1) Total Revenue Available for Debt Service includes the former Housing Set-Aside revenues as a source of available revenue to pay debt service. It is possible that in the future, the Dissolution Act could be interpreted in a manner which maintains the effectiveness of the pre-Dissolution Act Housing Set-Aside.

(2) The Imperial Beach Redevelopment Agency 2010 Tax Allocation Bonds are on parity with the 2013 Bonds. The figures listed above for the Total Debt Service and Debt Service Coverage include debt service payments for the 2010 Tax Allocation Bonds. Information about the 2010 Tax Allocation Bonds can be found on the EMMA under separate cover.

## 3. ADDITIONAL INFORMATION

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### 3.1 Redevelopment Agencies

Assembly Bill No. X1 26 (“AB X1 26”) was passed by the Legislature and signed by the Governor in June 2011, which authorized the dissolution of redevelopment agencies within the State of California as of October 1, 2011. On December 29, 2011, the California Supreme Court upheld the legislation with its ruling on California Redevelopment Association v. Ana Matosantos, and revised the effective dissolution date to February 1, 2012. As a result of the Supreme Court’s decision all redevelopment agencies were dissolved and replaced by successor agencies that were established pursuant to AB X1 26.

On January 5, 2012, the City of Imperial Beach City Council adopted Resolution No. 2012-7136 electing for the City to serve as the successor agency to the Agency upon the dissolution of the Agency under AB X1 26 (“Successor Agency”). Under AB X1 26 the Successor Agency is obligated to perform certain powers and duties, including but not limited to, making payments and performing obligations required by enforceable obligations and expeditiously winding down the affairs of the former Redevelopment Agency. Bond payments will continue to be made through the successor agencies and the rights of the Bondholders were not modified by the legislation. In June 2012, AB X1 was further amended by Assembly Bill No. 1484 (“AB 1484”) and are collectively referred to as the “Dissolution Act”.

### 3.2 Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance, which adopts the redevelopment plan, becomes the base year valuation. Assuming the table valuation never drops below the base year level, the taxing agencies receiving property taxes thereafter received on that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion of property taxes produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

Under the Dissolution Act, tax increment is no longer deemed to flow directly to the successor agency. Further, the Dissolution Act is interpreted to no longer require successor agencies to deposit a portion of the tax increment into a low and moderate income housing fund (“Housing Set-Aside”). Rather, all funds are considered property taxes. Successor agencies have no authority to levy property taxes and must rely on the allocation of taxes as described under the Redevelopment Law and Dissolution Act.

## 4. SPECIAL INFORMATION REGARDING CLIMATE CHANGE

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The Successor Agency reports that the following information may be relevant to the 2013 Bonds.

The Project Area is located along and inland from the Pacific Ocean coast of California and includes the entire City of Imperial Beach. The western City limit borders the ocean, and a portion of the northern boundary of the City is along San Diego Bay. The southern area of the City includes parts of the Tijuana River, which connects to the ocean. Given the City's proximity to these waters, the City commissioned a study of the vulnerability of land in the City to damage resulting from potential rise of sea level in the area. The study was completed in September 2016 and captioned "2016 City of Imperial Beach Sea Level Rise Assessment" (the "Assessment"). The Assessment references and finds risk of potential damage to property in the City in the event of various sea level rise scenarios. The Assessment concludes that if the sea level were to rise to certain levels, the resulting flooding would damage infrastructure and property in the City to varying degrees based on varying levels of flooding. The Successor Agency advises Bond investors to review the Assessment, which is available on the City's website under the menu choice "Sea Level Rise," for further information and evaluation.

On November 28, 2017, Moody's Investor Service published a report titled "Evaluating the impact of climate change on US state and local issuers" wherein it discussed the credit risk of climate change on public issuers. The report discusses how climate change is forecast to result in a higher frequency and severity of extreme weather events and how Moody's will assess the credit impact of associated risks on state and local issuers. This report also describes how Moody's differentiates between the long-term shift in the average state of the climate, known as climate trends, and climate shocks, or extreme weather events.

The City currently is a plaintiff in a lawsuit in the Superior Court of the State of California in the County of Contra Costa, The City of Imperial Beach v. Chevron Corp et al., Case No. C17-01227. The lawsuit alleges various causes of action directly or indirectly related to climate changes associated with fossil fuel production. Other municipalities have filed similar lawsuits.

The Successor Agency is unable to determine what effect, if any, the above information, consequences of the above information or actual rises in sea level may have on the investment value of the 2013 Bonds.



## 5. REPORTING OF SIGNIFICANT EVENTS

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The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

## 6. CONCLUDING STATEMENT

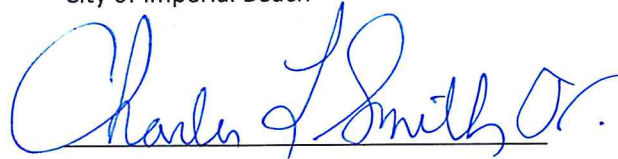
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This Continuing Disclosure Annual Report was prepared on behalf of the City of Imperial Beach and its Successor Agency in accordance with the Continuing Disclosure Certificate of the 2013 Bonds, in order to provide required information to the marketplace as provided for under S.E.C. Rule 15c2-12(b)(5). Such required information may include, but not be limited to, annual financial information, certain operating information and disclosures concerning specific events.

NBS has relied upon information provided by sources which are believed to be reliable without independent verification. The reader understands and agrees that NBS is entitled to rely on all information and documents supplied to NBS by the City or any of its agents or contractors and other government sources or proxies thereof as being accurate and correct and NBS will have no obligation to confirm that such information and documentation is correct and that NBS will have no liability if such information is not correct.

The information contained within this report, has been reviewed, approved and authorized for dissemination to the EMMA by the City.

City of Imperial Beach

A handwritten signature in blue ink that reads "Charles L. Smith Jr." with a horizontal line underneath the name.

Charles Smith

Interim Administrative Services/Finance Director