

NOTICE

THE SONOMA COUNTY LIBRARY COMMISSION

WILL HOLD A

SPECIAL MEETING

TUESDAY, MARCH 15, 2011

AT 4:30 P.M.

IN THE BOARD ROOM OF THE

CENTRAL SANTA ROSA LIBRARY

For the purpose of Approving the
Proposed First Amendment to Pass Through
Agreement between Sonoma County, the Sonoma
County Library, the City of Petaluma and the Petaluma
Community Development Commission

/s/ Sandra M. Cooper
Sandra M. Cooper, Clerk



**LIBRARY COMMISSION AGENDA
SPECIAL MEETING**

Tuesday, March 15, 2011 at 4:30 P.M.
Central Santa Rosa Library, 211 E Street, Santa Rosa, CA 95404

THE MEETING WILL BE IN THE BOARD ROOM AT THE CENTRAL LIBRARY

1. CALL TO ORDER

2. ANNOUNCEMENTS AND INTRODUCTIONS

3. PUBLIC APPEARANCES

Members of the public who wish to address the Commission on labor negotiation issues should request recognition at this time.

See guidelines for public appearances at the bottom of the agenda.

4. ACTION BY RESOLUTION

- 4.1. Adopt Resolution for Approval of First Amendment to 1988 Passthrough Agreement Between the Library, the County of Sonoma, and the Petaluma Community Development Commission

5. DATE AND TIME OF NEXT REGULAR MEETING

Meeting: Regular
Date: April 4, 2011
Time: 7:00 p.m.
Location: Central Library – Santa Rosa

6. ADJOURNMENT

By acclamation.

Agenda support materials are available in the Library Administration Office, 211 E Street, Santa Rosa, after 3:30 p.m. on Monday, March 14, 2011. They will also be available on the Library's web site <http://www.sonomalibrary.org/agenda/>.

GUIDELINES FOR PUBLIC APPEARANCES

Members of the public wishing to speak to the Commission may do so under Public Appearances. If you wish to speak on an item under discussion by the Library Commission, which appears on this agenda, you may do so upon receiving recognition by the Chairperson during Public Appearances. Please state your name and address for the record before making your presentation, which will be limited to three minutes. All hearings are taped. Time limitations on public testimony may be extended at the discretion of the Library Commission

The Commission does not take action on items presented under Public Appearances during this meeting. You can request a response, and one will be forwarded to you.



Agenda Item			
Information/Action	Commission Meeting Date	Regular/Executive Meeting	Agenda Item No.
Action	3.15.11	Special	4.1

SUBJECT

Amendment to 1988 Agreement

RECOMMENDED ACTION

Adopt a resolution authorizing the chair to execute the First Amendment to the 1988 agreement by and among the City of Petaluma, the Petaluma Community Development Commission, the Sonoma County Library, and the County of Sonoma.

DRAFT MOTION

I MOVE THAT THE SONOMA COUNTY LIBRARY COMMISSION ADOPT the resolution authorizing the Chair to sign the First Amendment to the 1988 agreement with the Petaluma Community Development Commission.

BACKGROUND

The Petaluma Community Development Commission (PCDC) is proposing to enter into a loan agreement for the purpose of providing additional funding for transportation improvements related to the PCDC's merged redevelopment project area. The loan would be payable, as to both principal and interest, from tax increment revenues. Potential lenders have advised the PCDC that a loan would be conditioned upon the subordination of the County's pass-through entitlement to the payment of debt service on the debt obligations of the PCDC, both existing obligations and the proposed 2011 loan.

Staff from the Auditor/Controller-Treasurer/Tax Collector have reviewed information provided by Piper Jaffray & Co. and concluded, barring unforeseen events it appears tax increment from the Petaluma CDC project areas will be sufficient to cover all future financial obligations including contractual revenue sharing payments to the County of Sonoma. This conclusion was arrived at by reviewing models of future growth in the project area. The model which assumes no future growth in the Merged Project Area assessed value or tax increment revenue over the next 30-years, demonstrates that PCDC will have ample tax increment revenue with which to meet all of its future financial obligations, including its required 20% housing set-aside, the payment of all statutory pass-through payments and contractual revenue sharing payments including those to the County, the timely payment of debt service on all of its outstanding tax allocation bonds, and the repayment of its proposed bank loan.

Failure to approve the amendment may result in the Petaluma CDC being unable to secure financing to complete critical projects.

FUTURE COMMISSION ACTIONS



Agenda Item			
Information/Action	Commission Meeting Date	Regular/Executive Meeting	Agenda Item No.
Action	3.15.11	Special	4.1

FISCAL IMPACT

The County has advised us that this will have no fiscal impact.

POLICY ISSUES

ATTACHMENTS

Document #4.1.1 - Resolution Authorizing Execution of the First Amendment

Document #4.1.2 - First Amendment

Document #4.1.3 - Meyers/Nave Request for Approval

SONOMA COUNTY LIBRARY COMMISSION

RESOLUTION NO ____

**RESOLUTION TO EXECUTE THE FIRST AMENDMENT TO THE 1988
AGREEMENT WITH THE PETALUMA COMMUNITY DEVELOPMENT
COMMISSION**

WHEREAS, the City of Petaluma, the Petaluma Community Development Commission (the “PCDC”), the Sonoma County Library (the “Library”) and the County of Sonoma (“County”) made and entered into as of the 26th day of September, 1988 (the “1988 Agreement”), which provides for payment to the Library and the County of certain property tax revenues (“Tax Increment Revenues”) which would otherwise be allocated and paid to the PCDC pursuant to the and the provisions of redevelopment plans (the “Redevelopment Plans”) which have been adopted by the City in accordance with the Community Redevelopment Law; and

WHEREAS, for purposes of improving the terms of a loan agreement which the PCDC is seeking to complete, the PCDC needs to obtain written consent from the County to the subordination of its entitlement to receive its prescribed portion of the annual Tax Increment Revenues pursuant, and this in turn requires amending the 1988 Agreement to authorize such subordination by the County; and

WHEREAS, the text of the amendment of the 1988 Agreement (“First Amendment”) is set forth in the form of the First Amendment on file with the Library staff, copies of which have been presented to this Commission, and this Commission wishes by this resolution to approve the First Amendment and to authorize and direct the Commission Chair to execute and deliver the First Amendment;

NOW, THEREFORE, BE IT RESOLVED by the Commission of the Sonoma County Library as follows:

1. The First Amendment, in the form presented to this Commission at this meeting, is hereby approved.
2. The Commission Chair is hereby authorized and directed on behalf of the Sonoma County Library to execute and deliver the First Amendment.

FIRST AMENDMENT TO AGREEMENT BY AND AMONG
THE CITY OF PETALUMA, THE PETALUMA COMMUNITY
DEVELOPMENT COMMISSION, THE SONOMA COUNTY
LIBRARY AND THE COUNTY OF SONOMA

Recitals

- A. This First Amendment to Agreement by and Among the City of Petaluma, the Petaluma Community Development Commission, the Sonoma County Library and the County of Sonoma (this “First Amendment”), is dated March 7, 2011, and represents an amendment of an agreement entitled, “Agreement by and Among the City of Petaluma, California, the Petaluma Community Development Commission, the Sonoma County Library and the County of Sonoma,” made and entered into as of the 26th day of September, 1988 (the “1988 Agreement”). Collectively, the City of Petaluma (the “City”), the Petaluma Community Development Commission (the “PCDC”), the Sonoma County Library (the “Library”) and the County of Sonoma (the “County”) are referred to herein as the “Parties.”
- B. Section 3.3 of the 1988 Agreement (“Section 3.3”) provides for payment to the Library and the County of certain property tax revenues (“Tax Increment Revenues”) which would otherwise be allocated and paid to the PCDC pursuant to the Community Redevelopment Law (the “Law”) and the provisions of a redevelopment plan (the “Redevelopment Plan”) which has been adopted by the City in accordance with the Law.
- C. As authorized by the Law and the Redevelopment Plan, the PCDC proposes to enter into a loan agreement with an appropriate lender (the “2011 Loan”) to provide for the financing of transportation improvements in accordance with the Redevelopment Plan, and the PCDC has been advised that, in order to provide for the consumation of the 2011 Loan under current market conditions, the PCDC needs to obtain written consent from the County to the subordination of its entitlement to receive its prescribed portion of the annual Tax Increment Revenues pursuant to Section 3.3 to the payment of the principal of and the interest on the payment obligations of the PCDC which are secured by and are payable from Tax Increment Revenues, including both previously-established payment obligations and the proposed 2011 Loan (the “PCDC’s Tax Increment Debt Service”).
- D. The sole purpose of this First Amendment is to amend Section 3.3 to provide that, upon the written request of the PCDC, either the Library or the County or both may be authorized by their respective legislative bodies to consent in writing to the subordination of their respective entitlements to receive Tax Increment Revenues in accordance with Section 3.3 to the payment of the PCDC’s Tax Increment Debt Service, subject to the provisions of this First Amendment respecting reimbursement with interest of the amount or amounts so subordinated in the event that Tax Increment Revenues are insufficient in any given Tax Year to pay both the PCDC’s Tax Increment Debt Service and the entitlements of the consenting party to receive its prescribed portion of the Tax Increment Revenues for that Tax Year.

- E. In consideration of the mutual undertakings prescribed herein, the Parties agree as follows:

Agreement

1. Section 3.3 of the 1988 Agreement is hereby amended to add the following language at the end of the current language of Section 3.3:

“Notwithstanding the foregoing provisions of this Section 3.3, upon receipt of the written request of the PCDC, either the Library or the County, or both, may but shall not be required to be authorized by their respective legislative bodies, in the exercise of their absolute discretion, to consent in writing to the subordination of their respective entitlements to receive Tax Increment Revenues in accordance with this Section 3.3 to the payment of the PCDC’s Tax Increment Debt Service; provided that, in the event that Tax Increment Revenues are insufficient in any given Tax Year to pay both the PCDC’s Tax Increment Debt Service and the entitlements of the consenting party to receive its prescribed portion of the Tax Increment Revenues for that Tax Year, resulting in receipt by the Library or the County or both, as the case may be, of an amount which is less than the entitlement established by this Section 3.3, then the Library or the County or both, as the case may be, shall be reimbursed the amount of the shortfall, together with interest thereon at the interest rate applicable to the 2011 Loan, out of the first funds received by the PCDC and legally available for such reimbursement.

As used in the foregoing paragraph of this Section 3.3, the term “2011 Loan” shall include any refunding bonds issued or other obligations established after closing on the 2011 Loan to refund the remaining obligations under the 2011 Loan, provided that the aggregate payment obligations on any such refunding obligations does not exceed the remaining payment obligations on the 2011 Loan and that the last principal payment date of any such refunding obligations is no later than the last payment date on the 2011 Loan.”

2. In all other respects, except as provided by the amendment set forth in the foregoing paragraph 1 of this First Amendment, the 1988 Agreement shall remain in full force and effect.
3. By the execution hereof, the Parties to this First Amendment hereby acknowledge that this First Amendment has been duly approved by their respective governing bodies and that execution by the respective officers or representatives of the Parties who have executed it on behalf of each such Party has been authorized.
4. Counterparts; Facsimile or Electronic. This First Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument. Telecopied signatures or signatures transmitted as a PDF or other electronic document representing execution by a

DOCUMENT #4.1.2 (3.15.11)

party representative authorized to bind that party may be used in place of original signatures on this First Amendment or any document delivered pursuant hereto, and the parties intend to be bound by such signatures on the telecopied or electronic document.

COUNTY OF SONOMA

CITY OF PETALUMA

By:
Title:

By:
Title:

SONOMA COUNTY LIBRARY

PETALUMA COMMUNITY
DEVELOPMENT COMMISSION

By:
Title:

By:
Title:

Approved as to form:

Eric Danly
City Attorney, General Counsel
City of Petaluma and Petaluma Community
Development Commission

1596598.1

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March 4, 2011

Ms. Sandra M. Cooper, Director
Sonoma County Library
3rd and E Streets
Santa Rosa, CA 95404

Re: Request for Approval of First Amendment to 1988 Passthrough Payment Agreement; Petaluma Community Development Commission

Dear Ms. Cooper:

Our firm serves as general legal counsel to the Petaluma Community Development Commission (the "PCDC"), a redevelopment agency organized and functioning under the Community Redevelopment Law of the State of California. The PCDC proposes to enter into a loan agreement (the "2011 Loan") for the purpose of providing additional funding for transportation improvements related to the PCDC's merged redevelopment project area (the "Project Area").

In our capacity as general legal counsel to the PCDC, we have received and reviewed an executed copy of an agreement entitled "Agreement by and Among the City of Petaluma, California, the Petaluma Community Development Commission, the Sonoma County Library and the County of Sonoma," entered into as of September 26, 1998 (the "1988 Agreement"). Under the terms of the 1988 Agreement, beginning with fiscal year 1993-1994 and continuing through the remaining duration of the Redevelopment Plan (as said term is defined in the 1988 Agreement), 4% of the Tax Increment (as said term is defined in the 1988 Agreement) attributable to that portion of the Project Area (as said term is defined in the 1988 Agreement) within the boundaries of the City of Petaluma which would have been allocated and paid to the Sonoma County Library (the "Library") and the County of Sonoma (the "County") for their own use had not the Redevelopment Plan been adopted are allocated to and when collected are paid to the PCDC, and the remaining 96% of said Tax Increment are allocated to and when collected are paid to the County (and the Library, respectively). The Library's entitlement to receive such payment under the 1988 Agreement is referred to hereafter in this letter as the "Library's Passthrough Entitlement," and the County's entitlement is referred to as the "County's Passthrough Entitlement."

In order to consummate the 2011 Loan at the earliest possible date, the PCDC has selected Piper Jaffray Public Finance ("Piper Jaffray") to serve as Placement Agent in seeking a commitment from a knowledgeable lender. Piper Jaffray has identified JPMorgan Chase Bank, NA ("JPMorgan Chase") as a knowledgeable lender for purposes of the proposed

Ms. Sandra M. Cooper, Director
March 4, 2011
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2011 Loan. In preliminary discussions, representatives of JPMorgan Chase have indicated to Piper Jaffray that their interest in making the 2011 Loan would be conditioned upon the subordination of the County's Passthrough Entitlement to the payment of debt service on the obligations of the PCDC, both existing obligations and the proposed 2011 Loan, which are (or, in the case of the 2011 Loan, would be) secured by and payable from Tax Increment revenues.

Given the comparatively small amount of the Library's Passthrough Entitlement, subordination of the Library's Passthrough Entitlement has not been requested, and for that reason the PCDC is not requesting subordination of the Library's Passthrough Entitlement.

Transmitted with this request please find a draft first amendment to the 1988 Agreement (the "First Amendment"), by which the County's Passthrough Entitlement would be subordinated to debt service on the PCDC's obligations. We wish to emphasize that approval and execution of the First Amendment by all four parties to the 1988 Agreement results ONLY in subordination of the County's Passthrough Entitlement, not the Library's Passthrough Entitlement.

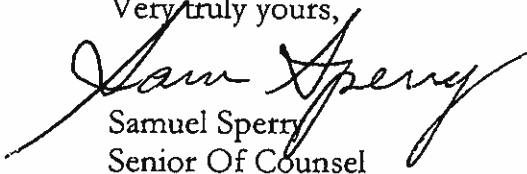
The only reason for involving the Library in this process is that the Library is a party to the 1988 Agreement, making it necessary for the Library to approve the First Amendment. The purpose of this letter is to request that the Library Commission approve the form of the enclosed draft First Amendment, with authorization to modify the provisions thereof upon approval of the Commission Chair and, subject to such approval, authorization and direction to the Commission Chair to execute and deliver the final form of the First Amendment on behalf of the Library.

For your information, Ms. Lori Norton is handling the corresponding request as submitted to the County, and you should please feel free to discuss the status of the request with her at (707) 565-3345.

In the event that the Library Commission approves the draft First Amendment and authorizes execution of a final form of the First Amendment (subject to approval of the Commission Chair), please so confirm by having a copy of this letter signed by an authorized representative and returned to me at your first convenience.

Thank you for your cooperation, and please don't hesitate to call on me at (510) 808-2000 with any questions you may have.

Very truly yours,


Samuel Sperry
Senior Of Counsel