

ORDINANCE NO. _____ (N.C.S.)

**AN ORDINANCE OF THE CITY OF SALINAS AUTHORIZING A PUBLIC
LEASEBACK TO FINANCE COSTS OF DEVELOPING AND
CONSTRUCTING A POLICE STATION IN THE CITY**

**THE CITY COUNCIL OF THE CITY OF SALINAS DOES HEREBY ORDAIN
AS FOLLOWS:**

Section 1. Findings.

A. Pursuant to Revenue Procedure 82-26 of the United States Treasury (the “Revenue Procedure”), bonds issued by a nonprofit corporation organized under the laws of the state of California in order to finance facilities in the state of California may qualify as tax-exempt obligations upon compliance with requirements set forth in the Revenue Procedure; and

B. Salinas Public Facilities Inc., formerly known as Salinas Public Safety Facilities Inc. (“SPF”), has been formed as a California nonprofit public benefit corporation for the purpose, among others, of designing, permitting, constructing and equipping a new public safety building (the “Project”) for use by the City of Salinas (the “City”), and

C. The City as the owner of the land on which the Project will be constructed (the “Land”) will enter into a ground lease of the Land to SPF (the “Ground Lease”), a draft form of which Ground Lease has been prepared and submitted to this meeting; and

D. SPF proposes to enter into a Project Lease Agreement (the “Project Lease”) under which SPF will undertake the Project and lease the Premises (as such term is defined in the Project Lease) to the City, a draft form of which Project Lease has been prepared and submitted to this meeting; and

E. To finance the Project, SPF proposes to issue tax-exempt bonds, to be designated the Salinas Public Facilities Inc. 2018 Lease Revenue Bonds, Series A (City of Salinas Public Safety Building Project), in an aggregate principal amount to be determined (the “Bonds”); and

F. The City’s payments of rent under the Project Lease will be used to pay debt service on the Bonds, but the Bonds will not in any way constitute an obligation or debt of the City; and

G. The Revenue Procedure requires that, within one year prior to issuance of the Bonds, the City approve the nonprofit corporation (SPF) and the bonds to be issued (the Bonds) and agree to accept title to the Project when the Bonds are retired; and

H. The Project is necessary to meet the City’s requirements for public safety facilities that meet current essential services standards; and

I. The City does not wish to undertake directly the governmental burden associated with development of the Project, and has determined that the proposal by SPF is the most

efficient means for managing the design, construction, equipping, financing, and operation of the Project; and

J. The transaction as proposed constitutes a public leaseback that the City wishes to approve in accordance with Section 54241 of the Government Code; and

K. The potential environmental effects of the Project subject to the Ground Lease and Project Lease were fully studied in Environmental Review 2017-005 prepared by the City. Based thereon, the City Council adopted a Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program on January 23, 2018. The public leaseback will not result in any new significant environmental effects not identified in Environmental Review 2017-005, nor will it substantially increase the severity of the environmental effects identified in Environmental Review 2017-005. In addition, no considerably different mitigation measures have been identified. Accordingly, the City, as a responsible agency, hereby certifies that it has reviewed and considered the information contained in Environmental Review 2017-005 and the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program adopted by the City Council on January 23, 2018. No further environmental documentation is therefore required to authorize the public leaseback; and

L. On March 6, 2018, the City Council held a public hearing on the issuance of the Bonds in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended, following publication on February 20, 2018, in *The Monterey Herald* of a notice of the public hearing.

Section 2. Purpose. The purpose of this ordinance is to authorize a public leaseback to finance costs of the Project.

Section 3. Authority. This ordinance is adopted under the authority of California Government Code Section 54241 and is subject to the provisions for referendum applicable to the City.

Section 4. Authorization of Public Leaseback. The City authorizes the public leaseback described as follows:

A. The City hereby requests that SPF lease the Land pursuant to the Ground Lease, undertake the Project, and lease the Premises to the City pursuant to the Project Lease, and thereby relieve the City of the governmental burden thereof.

B. To accomplish this public leaseback, the preliminary drafts of the Ground Lease and Project Lease presented to this meeting and on file with the City Clerk are hereby approved. By subsequent resolution, the City Council will establish parameters for (1) the termination dates of the Ground Lease and Project Lease, (2) the maximum amount of the principal components of lease payments under the Project Lease, (3) the maximum true interest cost applicable to the interest components of lease payments under the Project Lease, and (4) any other terms or conditions for the Ground Lease or Project Lease that the City Council may wish to establish. By that resolution, the City may delegate to the Mayor, the City Manager, the Director of

Finance, or other City officers authority to approve and execute final forms of the Ground Lease and Project Lease within the parameters set forth in that resolution.

C. For purposes of the Revenue Procedure, the City hereby approves the purposes and activities of SPF and the issuance by it of the Bonds to finance the Project. The Bonds shall not be an obligation of the City or any other agency or subdivision of the state of California, subject to entering into the Ground Lease and Project Lease. The City further agrees to accept unencumbered title to the Project financed by the Bonds, including any additions to the Premises, when the Bonds are discharged. At such time, title to the Project financed by the Bonds will be transferred to the City at no additional cost.

D. The final schedule of monthly rent payments due under the Project Lease shall be determined and added as an exhibit to the Project Lease upon the issuance and sale of the Bonds.

E. To the extent necessary to meet the conditions of paragraph (d)(2) of United States Securities and Exchange Commission Rule 15c2-12, as applicable to a participating underwriter or remarketing agent for the Bonds, the City is hereby authorized to enter into an undertaking in a form acceptable at the time to the participating underwriter or remarketing agent, as the case may be.

F. All appropriate officers of the City are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this action. All acts taken and all approvals and agreements previously made pursuant to the authority of this action but prior to the effective date hereof are hereby ratified and confirmed.

Section 5. Approval under Section 147(f) of the Internal Revenue Code. As the governmental unit on behalf of which the Bonds are to be issued, the City hereby approves the Bonds for purposes of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Section 6. Severability. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this ordinance that can be given effect without the invalid provision or application, and to this end the provisions of this ordinance are severable. The City Council hereby declares that it would have adopted this ordinance irrespective of the invalidity of any particular portion thereof.

Section 7. Effective Date. This ordinance shall become effective 30 days from the date of its adoption.

Section 8. Publication. The City Clerk shall certify to the adoption of this ordinance and cause it, or a summary of it, to be published in a newspaper of general circulation printed and published within the City of Salinas, pursuant to all legal requirements.

PASSED, APPROVED, AND ADOPTED this ____ day of _____, 2018.

Joe Gunter, Mayor

APPROVED AS TO FORM:

Christopher A. Callihan, City Attorney

I, Patricia M. Barajas, City Clerk of the City of Salinas, California, do hereby certify that the foregoing Ordinance was introduced at a regular meeting of the City Council of the City of Salinas held on the _____ day of _____, 2018, and was adopted at a regular meeting of the City Council of the City of Salinas on the _____ day of _____, 2018, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Patricia M. Barajas, City Clerk