CITY OF LONG BEACH

Population:	430,000
1990/91 General Fund	
Revenues:	$224 million
Fund Balance:	$11 million
# URMs:	560
Type of URMs:	90% commercial 10% residential
Ordinance Type:	mandatory retrofitting
Retrofit Incentives:	long-term financing at 11.3%
Funding Source:	Special Assessment bond issue

BACKGROUND

The City of Long Beach, fifth largest city in California, encompasses a 50-square mile coastal area located on the southern edge of Los Angeles County. The city is known both as a major industrial center and as a popular beach resort area hosting a substantial tourist and convention business. Long Beach historically has been a leader in the area of seismic safety. In response to its losses in the 1933 earthquake, the city adopted the toughest building code in the nation. Its present day ordinance exempts all structures built after 1934. The City of Long Beach has been pursuing the seismic retrofit of hazardous buildings in its community for many years.

HAZARDOUS BUILDINGS PROFILE

Despite its longstanding concern for seismic safety, in 1989 the city still contained approximately 560 unreinforced masonry buildings (URMs). The majority of the buildings are commercial in use.

ORDINANCE

The city first adopted its seismic ordinance in the late 1970s. At that time the seismically hazardous buildings were divided into three categories:

most dangerous:	these buildings were ordered repaired immediately or torn down
more dangerous:	these buildings were given until 1985 to be brought up to code or demolished
least dangerous:	these buildings were given until January 1991 to be brought up to code or torn down (on 1/1/91 the owners of these remaining buildings were served with a notice that they had 60 days to develop a plan for compliance and submit it to the Building Inspection Department).

By the end of the 1980s owners of buildings in the first two categories had complied with the ordinance. The city did not provide these owners with any financial or other incentives. There remained to be addressed those buildings categorized as *least dangerous* by the ordinance.

INCENTIVE PROGRAM CONCEPT

Long Beach's program provided participants with long-term financing at the then-market interest rate of 11.3%. Initially, the city allowed a 3 month period in which property owners could apply for participation in the program. The application period was subsequently extended by 4 months. Property owners interested in participating submitted to the city, for review by its Superintendent of Building and Safety, a report prepared by a California licensed engineer or architect. In general, each report provided for the roof and floors of the building to be bolted to the adjoining walls, for the interior and exterior walls to be reinforced, and for provisions allowing existing usage and occupancy to be maintained and restored. The owners' parcels were then examined to determine their estimated and/or appraised values, and tax rolls were checked to ensure that none of the owners was delinquent in property tax payment. (See: PROGRAM DEVELOPMENT)

Of the 319 parcels for which applications had been submitted, 28 parcels were unable to qualify for the financing because of current year tax delinquencies. Approximately 30 dropped out prior to confirmation of assessments for unrelated reasons. Interestingly, none of the applicants failed to meet the value-to-lien requirement. (See: PROGRAM DEVELOPMENT) A total of 307 parcels were finally included in the assessment district, representing 137 structures or about one quarter of the city's remaining URMs. The parcels in the district are geographically dispersed throughout the city, with the majority located in the city's

downtown area. Of the 307 assessed parcels, 170 are concentrated in 3 multiple-unit buildings. Not all of the units in those buildings are included in the district.

In order to effect the financing Long Beach had to take certain legal steps. The first action the city took was to amend its municipal code so that it had the power to form the assessment district, levy the assessments, and issue the bonds. (See: PROGRAM DEVELOPMENT) The city next adopted a resolution of intention to proceed, and gave preliminary approval to the Assessment Engineer's report which contained estimates of project costs and per parcel assessments. Two months later the council adopted another resolution allowing an additional 65 properties to be included in the district. The council then held a public hearing and, as no protests were received, adopted a resolution establishing the district, authorizing the projects and confirming and levying the assessment for each parcel. Seven months later the bonds were issued and money was placed in an Improvement Fund awaiting disbursement to participating owners.

To receive bond funds an owner must submit to the city a certificate stating that eligible improvements have been completed and that the cost of those improvements is eligible for reimbursement. The certificate must be signed by the owner and the City Treasurer. Owners may either request reimbursement upon completion of seismic related work, or may request that progress payments be made directly to the contractor as construction progresses. However in the case of multi-unit buildings, to ensure that all necessary improvements to the building will be completed, no funds will be disbursed to owners represented in the district until the owners of units who chose not to participate in the district have secured alternative financing.

Undertaking and completing projects is the sole responsibility of individual property owners. All owners must submit final building plans to the city and obtain all the usual permits. Owners individually contract and arrange for the projects' construction, and any cost overruns are the sole responsibility of the owner. No provisions were made in the bond issue for financing such overruns. The time allotted for completion of all the projects is approximately two years. If there are bond proceeds remaining at the end of that time (perhaps because owners who participated in the district ultimately chose not to undertake the improvements, because final costs were under the amounts determined in preliminary estimates, or because they did not satisfy the city's requirements for release of the funds) these proceeds will be used to prepay the bonds.

The bonds are repaid through assessment liens against all the parcels included in the district. Assessment installments are payable in the same manner and time as general taxes on real property. Note that the assessments represent liens against parcels, not personal indebtedness of property owners.

The annual assessment billed against each parcel represents a pro rata share of the total principal and interest of the bonds coming due that year. The assessments in aggregate are sufficient not only to pay for the estimated costs of the seismic improvements, but also to cover related incidental expenses. These incidental expenses include the city's costs of developing and administering the program. Ongoing expenses payable from the bond issue include the cost to the city of monitoring construction, administering payments under construction contracts, and engineering expenses (See: PROGRAM RESOURCES) In addition to the basic assessment on each parcel, the city may levy an annual assessment to pay specified costs incurred by the city which are not covered by the basic assessment. These costs would arise from administration and collection of assessments, or administration and registration of the bonds. The additional annual assessment is capped at $150 per parcel adjusted for inflation.

The bonds issued by Long Beach are secured by the assessments levied against the parcels. The assessment liens are on parity with all general and special tax liens. They are subordinate to pre-existing Special Assessment liens, but take priority over future fixed Special Assessment liens. Most importantly the assessment liens take priority over all existing and future private liens, including bank loans and mortgages.

Failure of an individual property owner to pay an assessment installment will not increase the assessments against other parcels. Generally, property securing delinquent assessment installments in California is subject to sale in the same manner as property sold for non-payment of general property taxes. However, Long Beach has covenanted that it will commence judicial foreclosure proceedings against parcels with assessment installments which are more than two years delinquent. It also will commence such proceedings against all delinquent parcels, even those delinquent for less than two years, in the event that the total of installments received by the city is less than 95% of the amount due. When insufficient assessments are received to make interest and principal payments on the bonds, amounts in the reserve fund are drawn down to make up the deficiency (See: PROGRAM RESOURCES). The city does have the option of deferring foreclosure proceedings if the reserve requirement is met, i.e. if the city chooses to advance monies to replenish the reserve fund.

PROGRAM RESOURCES

Four different city departments were involved in developing Long Beach's program: Community Development, the City Treasurer's office, the City Attorney's office and the Planning and Building Department. In addition, the Rehabilitation Officer spent a great deal of time with individual URM owners. The services of a financing team (financial advisor, bond counsel, and underwriter) were also used extensively. Long Beach estimates it cost at least $40,000 in city staff time and other expenses to develop the program and issue the bonds. These costs, as well as the fees of the financing team, were reimbursed from the

proceeds of the bond issue. Ongoing program costs primarily involve the time of the Superintendent of Building and Safety to review and approve requests for funds, and the resources of the City Treasurer to administer the bond program and collect the assessments. The projected ongoing costs were also funded through the bond issue, and additional amounts may be collected if necessary by levying additional assessments (See: INCENTIVE PROGRAM CONCEPT).

Long Beach issued bonds in the amount of $17.4 million to which were added approximately $250,000 in accrued interest and owner deposits, for a total of $17.7 million. The funds were allocated as follows:

- $14.9 million of the bond proceeds were deposited into the Improvement Fund from which monies would be drawn to cover project costs. Monies in this fund earn interest, which is also deposited into the Improvement Fund and allocated to the projects. Together these sources were projected to supply the $15.1 million needed to cover project costs.

- The bond proceeds also funded a $1.7 million reserve account, required in most bond financings, which ensures that funds will be available to make timely bond payments.

- Approximately $500,000 was borrowed to cover interest payments which needed to be made on the bonds prior to collection of assessments.

- $450,000 was expended to pay the financing team and cover other issuance costs.

- Finally, the city received from the bond proceeds the $40,000 to reimburse itself for monies it spent developing the program, as well as $100,000 which it planned to use to cover ongoing administrative costs (See: INCENTIVE PROGRAM CONCEPT)

PROGRAM DEVELOPMENT

Long Beach's program might better be called an enabling rather than an incentive program. As the city had not provided any financial assistance to owners of buildings classified by its ordinance as "more dangerous" and "most dangerous," it saw no reason to provide such assistance to owners of the "least dangerous" structures. While the city ruled out any type of

subsidy program, however, it was not oblivious to the economic realities of the day. The poor real estate market, the slowing economy and the industry-wide problems of banks made it more difficult for the remaining class of owners to find private financing for retrofitting projects. The city felt that its most suitable function would be to obtain financing for the owners while steering clear of any responsibility for repayment. The best means of accomplishing Long Beach's objectives was determined to be a bond financing based upon the formation of an assessment district.

While assessment bonds of the type contemplated were commonly used by cities throughout California for other purposes, they had never before been publicly issued to finance repairs of privately owned structures. The uniqueness of this purpose made the assessment bond issuance process far more complicated than would normally be expected. New ground had to be broken on many fronts, a process which ended up taking 18 months rather than the 3 to 6 months more commonly spent on assessment financings. While developing an appropriate legal structure was challenging, the most difficult aspect of the development process involved qualifying the properties for participation in the district.

One issue which needed to be addressed was the status of applicant owners' property tax payments. As the assessments would be paid with property taxes (See: INCENTIVE PROGRAM CONCEPT), it was important to show that members of the district were current with their tax payments. To many people's surprise, it turned out that nearly one third of the applicants were delinquent on their tax payments, primarily as a result of a supplemental assessment that had been levied a number of years prior but for which the property-owners had never been billed. The screening process for owners delinquent on property tax payments caused about 12 applicants to drop out of the process.

As investors in assessment bonds are secured by the property upon which the lien is assessed, an important ratio in an assessment financing is the value-to-lien ratio. This ratio suggests to investors how much might be recouped from the sale of a property if its owner defaults on the assessment. (For foreclosure procedures see INCENTIVE PROGRAM CONCEPT) Typically, investors will require that assessment districts contain properties with minimum value-to-lien ratios of 3.0 to 1. Long Beach's financing team established a minimum 2.5 to 1 ratio, although a small number of properties with lower ratios were accepted into the district.

Typically, property values are determined by appraisal. Obtaining appraisals, however, can be expensive and time-consuming. The city's financial advisor devised a valuation method designed to minimize the number of properties for which appraisals would be required. As a first step, based on the assumption that a property's market value is always higher than its assessed value, an applicant's value-to-lien ratio was calculated using the property's assessed value. If the resulting ratio was 2.5 to 1 or higher, the property qualified for inclusion in the district.

The next test developed a proxy for market value by discounting the property's assessed value by 2% for each year since its most recent assessment, and increasing the resulting number to more accurately reflect changes in market value since the date of that assessment. The derived market value was then used to calculate the value-to-lien ratio. The procedure turned out to be extremely complex, but did attain the desired result as all but 50 parcels met the minimum value-to-lien ratio and were able to forego formal appraisals. The remaining parcels underwent a valuation process by a city approved MAI (Master Appraisal Institute) appraisal and in each case the valuation provided the necessary coverage. The following table illustrates the value-to-lien ratios of parcels which comprise the district, using both the assessed value and the derived or appraised market value.

Value-to-Lien Ratio	# Parcels (Value = Assessed Value)	% of Total Assessment	# Parcels (Value = Derived Value)	% of Total Assessment
< 1.00:1	27	15.7	0	0.0
1.00:1 to 1.99:1	32	20.9	0	0.0
2.00:1 to 2.49:1	28	11.3	5	4.1
2.50:1 to 3.49:1	49	17.5	41	26.1
3.50:1 to 4:49:1	42	10.6	29	15.4
> 4.50:1	129	24.0	232	54.4
TOTAL	307	100.0	307	100.0

In addition to evaluating owners' applications, Long Beach had to take certain steps to effect the bond issue. For legal as well as policy reasons, it was very important to make clear that the program being developed by the city was intended not to provide benefit to private owners but to address a public safety issue. Long Beach, which is a charter city, also needed to grant itself the powers necessary to form the assessment district. Accordingly, Chapter 3.52 was added to the city's municipal code specifically for the purpose of providing financing mechanisms to help lower the costs of private improvements required to be made to buildings in the city which fail to meet the minimum seismic and public safety requirements of the code. The new chapter established procedures for the issuance and sale of bonds, the formation of assessment districts, and the levying of assessments on properties, incorporating certain provisions of the Improvement Bond Act of 1915 and the Municipal Improvement Act of 1913, the acts allowing formation of Special Assessment districts (See: LOCAL GOVERNMENT FINANCING OPTIONS - SPECIAL ASSESSMENT DISTRICTS) Note that the amended

code established these procedures to assist in the financing of public safety improvements to private properties within the city, improvements which include but (theoretically) are not limited to seismic retrofitting.

PROGRAM EFFECTIVENESS

About one quarter of the city's 506 remaining URMs were included in the assessment district and will be retrofitted using the proceeds of the bond issue. Long Beach is now considering forming a second assessment district and floating another bond issue. About 40 property owners who failed to sign-up in time for the first assessment district have applied for inclusion in the second. It appears the second bond issue would be about 10% the size of the first one.

PROGRAM STRENGTHS

The primary advantage of the program to the city lies in the fact that Long Beach is able to provide owners with financing while retaining no repayment liability. Although the program does require ongoing monitoring and administration, these costs are fully covered by the assessments levied on the parcels receiving the financing. Because the program is privately financed and full financial responsibility lies with the property owners, the projects are not subject to regulations applied to public funds such as Davis-Bacon wage requirements. It is helpful too that the application process for property-owners is relatively simple and participation is optional.

KEYS TO SUCCESS

The effectiveness of Long Beach's program is likely linked to the earlier success of the city's retrofit efforts. Long Beach had a reputation for holding the line with URM owners. Buildings in the "most dangerous" and "more dangerous" categories which had failed to meet the earlier retrofit deadlines were razed by the city. This let URM owners know that the city was serious about its retrofit program.

Long Beach also has a great deal of experience in dealing with URMs. The issue is very well understood by staff, elected officials, and the public at large. As a result, very little controversy surrounded the city's development of its program.

By establishing this program, the city was merely offering an alternative to owners who could not find long-term financing. It was helpful too that the aggregate project size was large, so that the fixed costs of developing and administering the program could be shared among many owners. The city and its financing team also did a thorough job of marketing this financing option and convincing URM owners to sign up for membership in the assessment district. Having learned from its first issue, should it go ahead with the second Long Beach will pay particular attention to ensuring that owners understand fully the nature of their commitments and those of the city. The city found this to be the most difficult, yet the most crucial, aspect of the financing process.

Finally, the city showed a great deal of flexibility in its willingness to experiment with an untried method of financing. Long Beach exhibited a tremendous amount of patience as the financing team struggled to develop the program, a process which took 2 to 3 times as long as originally expected.

It is often said that Long Beach was able to develop this project because it is a charter city. While this was considered a key factor at that time, Long Beach's bond counsel now believes that general law cities too can use Special Assessment financing to fund retrofit programs (See: LOCAL GOVERNMENT FINANCING OPTIONS - SPECIAL ASSESSMENT DISTRICT).

EXHIBITS

- Sample letters to property owners sent over the course of the financing process.

CONTACTS

David Lewis	Rehabilitation Officer	(310) 590-6879
Richard Hilde	City Treasurer	(310) 590-6845
Tim Schaefer	Financial Advisor	(714) 545-1212
Masood Sohaili	Bond Counsel	(213) 669-6692

CITY OF LONG BEACH

EXHIBITS

CITY OF LONG BEACH
DEPARTMENT OF COMMUNITY DEVELOPMENT
333 WEST OCEAN BOULEVARD • LONG BEACH CALIFORNIA 90802 • (213) 590-6841

January 5, 1990

[redacted]

Dear [redacted]

According to our records, you are the owner of property which has been identified by the Department of Planning and Building of the City of Long Beach as requiring certain repairs to meet the City's seismic code by 1991.

The City is considering the feasibility of a bond issue to make funds available to property owners for the required seismic repairs. If such an issue is found to be feasible and desirable, we are of the opinion that funds could be made available under the following general conditions:

- Interest rate would be within the market range of first mortgages.
- There would be a pro rata commitment fee required to pay for initial costs of issuing the bonds.
- Funds would be repaid on a monthly basis over a 30-year term at a fixed rate.
- Security for the funds would be an assessment district lien on the property. This form of lien would be in a superior position to any existing mortgage.
- The funds may only be used for work required for seismic repairs and cannot be used for general repairs and improvements.

If you have not yet finalized your financing for the seismic repairs to your property and if you may be interested in the bond program, we would like to discuss it with you further. We do think the bond financing offers some district advantages, particularly the interest rate and the 30-year term.

CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

[illegible] WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA [illegible] • [illegible]

May 21, 1990

Dear Interested Property Owner:

This letter is to inform you of the progress made to date in preparing to issue bonds to assist in financing seismic repairs to your property. At the same time, we need to let you know of information we will require from you and the date for you to submit that information.

On May 8, 1990 the City Council approved the first reading of the Procedural Ordinance providing guidelines for establishing the assessment district. The second reading of the Ordinance occurred on May 15, 1990. The next step in the public process will occur in early August 1990, when the City Council will consider the Resolution of Intention to form the assessment district. We still expect bonds to finance seismic improvements to be sold November 1990.

The next major step for you as a property owner interested in utilizing the bond financing is to complete an engineering analysis of your building as soon as possible. For your continued participation in the bond program, we will require a report, signed by an engineer or an architect licensed by the State of California, to be submitted to the City by June 29, 1990. This report is to include a description of your existing building, what work needs to be done to the building to bring it into compliance with the City's seismic code, and an accurate estimate of the cost of the work. At the same time, by June 29, 1990, you must also submit your Good Faith Deposit of $1,000 per building.

Many of you are aware that the City Council will consider an amendment to the City's Seismic Ordinance. Some of you are also of the opinion that should the amendment be approved, there may be cost savings in making repairs to your building. This opinion has led some property owners to want to delay engineering analysis of their buildings until the City Council has acted on the proposed amendment. It should be emphasized that the proposed amendment does not extend the time period to make the repairs.

We believe any delays in proceeding with the engineering work is not in the best interest as to time for those property owners wishing to participate in the bond financing

program. In order to meet out schedule to sell bonds, and your schedule to make repairs to your building, we need to proceed on our current schedule. Therefore, we suggest that your engineer or architect describe work to be done, and estimate the cost of that work, under the existing code. This should be the cost estimate you submit to us on June 29, 1990. Subsequently, if the City does amend the Seismic Code and the cost of repairs to your building is less than the original estimate, we will allow a one-time reduction of the cost to repair just prior to selling the bonds.

We will be holding a meeting of all interested property owners on Tuesday, June 12, 1990 at the Pacific Coast Club, 430 Pine Avenue, in downtown Long Beach. The purpose of the meeting is to further bring you up to date on our progress in this matter, and to answer any questions you may have.

In the meantime, if you need information or have questions, please call me at (213) 590-6879.

Sincerely,

DAVID D. LEWIS
Redevelopment Project Officer

DDL:bp

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CITY OF LONG BEACH
DEPARTMENT OF COMMUNITY DEVELOPMENT
333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (213) 590-6841

September 11, 1990

Dear Property Owner:

This letter is to advise you that we have received your complete application for seismic bond financing to make the required repairs to your property located at _____ in Long Beach. That Property has been included in the preliminary Assessment Engineer's Report; the estimated cost to repair, upon which the property assessment is to be based, is _____.

On September 4, 1990 the City Council adopted the Resolution of Intention to Form an Assessment District and approved the preliminary Assessment Engineer's Report. The Council also consented to hold a public hearing on the proposed assessment district. The public hearing will be held at 10:30 a.m., Tuesday, October 16, 1990 in the Council Chamber in City Hall, 333 West Ocean Boulevard.

We are continuing to work with a financial consultant to complete the structure of the bond issue. At the present time, there appear to be some conditions of the bond sale about which we want to inform you.

1. The cost of issuing the bonds appears to be approximately 3.6% of the cost to repair. This amount covers all legal and administrative expenses and includes the bond underwriters fee.

2. There must be included in the bond issue an amount equal to 10% of the cost to repair for a reserve fund. The purpose of this fund is to cover any short-term cash flow problems in making payments to the bond buyers which might otherwise occur should any property owner default in making the annual assessment payment. If a default does occur and the reserve fund must be used to any degree, the fund will be repaid once the default is cured. This reserve fund will be invested, and the interest earned will be credited to each assessment on a pro rata basis. At the end of the repayment period, your share of the reserve fund will be used toward making the final payments on your assessment levy.

3. Also to be included in the bond issue is the first year's interest on the money to be used. You will not be required to make any payment of the funds used to repair your property until December 10, 1991. However, you will have initial

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use of those funds approximately one year earlier. Therefore, the interest payment to the bondholders for the first year must be included in the bond issue.

As we had advised you earlier, we will allow a one-time adjustment of your estimate of the cost to repair your property. If you wish to change the estimate you have already submitted, we ask you to submit any change before September 30, 1990. If we do not receive direction from you to change your estimate, we will include the current estimate in the final Assessment Engineer's Report, and your assessment levy will be based on that amount.

If you have any questions in this matter, please feel free to call me at 590-6879.

Sincerely,

David D. Lewis

DAVID D. LEWIS
REDEVELOPMENT PROJECT OFFICER

DDL:dm

CITY OF LONG BEACH
DEPARTMENT OF COMMUNITY DEVELOPMENT
333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (213) 590-6841

September 27, 1990

Dear Property Owner:

As we had informed all property owners earlier, one of the primary underwriting conditions for the sale of bonds for seismic repair is that the market value of the property to be repaired be at least 3 times the actual cost of repairs.

In attempting to estimate the market value of the participating properties, we began by identifying the current assessed value for each property. We then adjusted the assessed value, taking into account the year the property was purchased by the current owner and the overall average annual increase of assessed values in the Long Beach area. We have also determined that value to lien ratios of 2.5 to 1 are sufficient for this program.

Based on the analysis described above, your property located at _____ has an adjusted assessed valuation for purposes of this bond financing program only of $_____. Your estimated cost to repair your property is _____. This results in a value to lien ratio of _____, which is below the acceptable ratio of 2.5 to 1.

We recognize that the assessed value of real property is not necessarily the true market value. It is, however, the only information we have readily available.

If you have any reliable information that will help us establish the estimated market value for your property, it would be most appreciated. Such information could be an appraisal undertaken by a professional appraiser for any purpose, such as a loan or refinancing, within the last 18 months or verification of a purchase price within the past two years. Any valid information will greatly assist us in this process. Please submit such information to us no later than October 12, 1990.

For those properties where no other reliable data is available, we may undertake a "letter-opinion" appraisal of the property or other alternatives to establish the value of the property. If there remain properties which, after

Property Owner
September 27, 1990
Page 2

undertaking all of the above described analyses, still fall below an acceptable value to lien ratio of 2.5 to 1, we will be forced to exclude those properties from the bond financing program.

Thank you for your assistance. If you have any questions in this matter, please call me at (213) 590-6879.

Sincerely,

David D. Lewis

DAVID D. LEWIS
REHABILITATION OFFICER

DDL:dm

CITY OF LONG BEACH
DEPARTMENT OF COMMUNITY DEVELOPMENT
333 WEST OCEAN BOULEVARD ● LONG BEACH, CALIFORNIA 90802 ● (213) 590-6841

December 3, 1990

Dear Property Owner:

On November 27, 1990 the City Council held a public hearing on the formation of Earthquake Repair Assessment District # 90-3. Following the public hearing, the Council approved the formation of the District. The property you own and for which you applied has been included in the District for purposes of financing the required seismic repairs.

We are currently working with the financial consultant and the bond underwriter to finalize the terms and timing of the bond issue. We still anticipate selling bonds in January 1991. We will keep you informed of our progress as we near the time of sale.

Several of you have asked specific procedural questions regarding the flow of bond funds once the bonds are sold. First, there will be established a construction account for each of the participating properties in the amount you have given us as your cost to repair your building. You will be responsible for selecting your own contractor to do the repair work. As the contractor proceeds and submits invoices to you for payment, you will first ensure the work is completed, to the degree of the payment request, in a satisfactory manner. You should then sign the invoice and submit it to the Assessment Engineer, Mr. Eugene J. Zeller. Following inspection of the work by the City, a check will then be drawn and mailed, payable directly to the Contractor.

If there are funds remaining in the construction account following the completion and payment for all seismic repair work, those funds, for a period not to exceed three years from the date of bond issuance, will be applied toward the payment of the annual assessment. If there still remain funds in any sizeable amount after the three year period, they may be used to pay off bonds.

Again, we will keep you informed as we near the sale of bonds. In the meantime, if you have any questions, please call me at (213) 590-6879.

Sincerely,

David D. Lewis

DAVID D. LEWIS
REHABILITATION OFFICER

DDL:dm

CITY OF LONG BEACH
DEPARTMENT OF COMMUNITY DEVELOPMENT
333 WEST OCEAN BOULEVARD ● LONG BEACH CALIFORNIA 90802 ● (213) 590-6841

February 20, 1991

Dear Property Owner:

As you know, this past January we had expected to sell bonds secured by the City's Earthquake Repair Assessment District 90-3, which includes your property. However, our schedule for the bond sale was prepared at a time when we were unable to predict current world events and their effect on market conditions for our bonds.

In December, 1990, Merrill Lynch & Co. was selected as underwriter for our bond issue. Their early advice to us was that all steps must be taken to make our bond issue as attractive as possible to the highly competitive and limited taxable bond market, in order to get the lowest possible interest rate for the property owners. One strong recommendation made was to "validate" the bond issue, a process in which the City essentially sues itself to obtain a judgement from the court that the City in fact has the legal right to form the assesment district and sell these bonds. While neither we nor our bond counsel has ever questioned our right in this regard, the court judgement provides added security to the bond buyers. This process was begun last December, and since no challenge was filed within the required time period, we expect to receive a favorable judgement from the court the last week of this month.

Another requirement of the underwriter was to determine the current status of payment of property taxes on each of the properties in the assessment district. As you know, the assessment lien is billed to each property owner annually as part of the property tax bill, and is paid together with property taxes. The assumption of the underwriter is that there may be a correlation between the pattern of paying property taxes in the past with the payment of taxes, including assessment liens, in the future. In researching the current status of property tax payments, we have discovered that of the 338 owners in the district, 108 are delinquent in some portion of property tax payments. Each of those property owners will be receiving a separate letter explaining what must be done in this situation. The process of resolving this delinquent tax issue will, however, delay the sale of bonds for at least three weeks.

Property owner
February 20, 1991
Page 2

We are now anticipating the sale of bonds and the availability of funds the second or third week of April. We regret these delays in our schedule, but they have come as a result of factors beyond our control. We will continue to keep you informed of our progress toward the sale of bonds.

In the meantime, I urge you, if you have not already done so, to respond to Mr. Eugene Zeller's letter of December 28, 1990. Your response should include the status of your construction plans for the repair work, and the fact that you are a participant in the City's bond financing program.

As always, if you have any questions regarding the assessment district or the bond program, please call me at (213)590-6879.

Sincerely,

David D. Lewis

David D. Lewis
Rehabilitation Officer

DDL:gm

property.dl

CITY OF LONG BEACH
DEPARTMENT OF COMMUNITY DEVELOPMENT
333 WEST OCEAN BOULEVARD • LONG BEACH CALIFORNIA 90802 • (213) 590-6841

February 20, 1991

Dear Property Owner:

As we continue our process toward the sale of bonds to finance earthquake repair to properties in Assessment District 90-3, one of the material disclosures required by the underwriter of the bonds is the current status of property tax payments on each property. We have just completed our analysis of each property in the district, and, quite frankly, we find the results rather startling. Of 338 owners in the District, 108 have delinquent tax payments.

Since the payment of the assessment lien is directly tied to the payment of property taxes, there is an assumed correlation in the pattern of property tax payments and the annual assessment payment. Property owners with delinquent tax payments who wish to remain in the district will be required to bring their property taxes current immediately.

According to the information we have received from our tax service consultant, you have a delinquent tax balance due on your property, located at _____, of $_____. If you wish to remain in the Earthquake Repair Assessment District 90-3 and have seismic repairs to your building paid with bond proceeds, you must pay all delinquent taxes on your property no later than March 15, 1991. Thereafter, you must pay your property taxes when they become due, because the private bondholders who are providing the funds for repair work do so as an investment and expect to be repaid on a timely basis. Therefore, if property taxes are not paid when due, the City is obligated for the benefit of the bondholders to commence foreclosure proceedings within 90 days.

To remain in the Assessment District, you must, as noted above, pay all back taxes by March 15, 1991. You must also, by March 15, 1991, send to me at the address on this letter evidence of payment of all back taxes. If our information is in error, please send me documentation that the taxes have been paid. If we do not hear from you at all by March 15, 1991, we will be forced to drop your property from the District.

We are sorry for this inconvenience, but this is an urgent matter which must be resolved. If you have any questions, please call me at (213) 590-6879.

Thank you for your assistance.

Sincerely,

David D. Lewis

David D. Lewis
Rehabilitation Officer

CITY OF LONG BEACH
DEPARTMENT OF COMMUNITY DEVELOPMENT
333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (213) 590-6841

June 21, 1991

Dear Property Owner:

We are pleased to advise you that the bonds to finance the structural repairs to be made on your property pursuant to the provisions of the City of Long Beach Earthquake Repair Assessment District No. 90-3 have been sold and the funds are now deposited with the City. The interest rate on the bonds is 11.3%, and the term is 24 years. We were disappointed that the interest rate was higher than originally expected, but in today's economic conditions, that was the best rate submitted by potential buyers.

It is expected that the Property Improvement accounts will be established by June 24, 1991 and owners may then begin submitting requests for payment. Requests for payment are to be made to Mr. Dick Hilde, City Treasurer, City Hall, 333 West Ocean Boulevard, Long Beach 90802.

The process for making your requests for payment is to complete the Payment Request Form (copies enclosed), and to attach a duplicate original of the invoice or statement for which payment is requested. If you have already paid the invoice or statement, it must be stamped or marked "Paid in Full" by the vendor and then submitted for payment. The payment check will then be made out directly to you . If the invoice or statement has not been paid by you, we will pay the vendor directly.

Requests for payment will be processed by the City twice each month, on the 1st and the 15th. Those requests received by the City between the 1st and 15th of each month will be processed on the 15th, and those received between the 15th and 31st will be processed on the 1st of the next month. In most cases payments will be mailed out from 7 to 10 days following the date processing began.

As you know, these funds may be used only for seismic repair work. Do not submit invoices for work that is not a part of your seismic repair. Periodic inspections will be made by the City's Superintendent of Building to ensure that all work for which payment is requested is required for seismic repair.