City Hall Final Report

Presentation to City Council
December 2, 2009

Submitted after meeting
Date 12/14/09 Item 50

Overview

- Development Update
- Budget Recap
- Financial Option Selected
- Transaction Overview
- Risk Analysis/Worst Case Scenario
- Economic Impact
- Actions Under Consideration Today

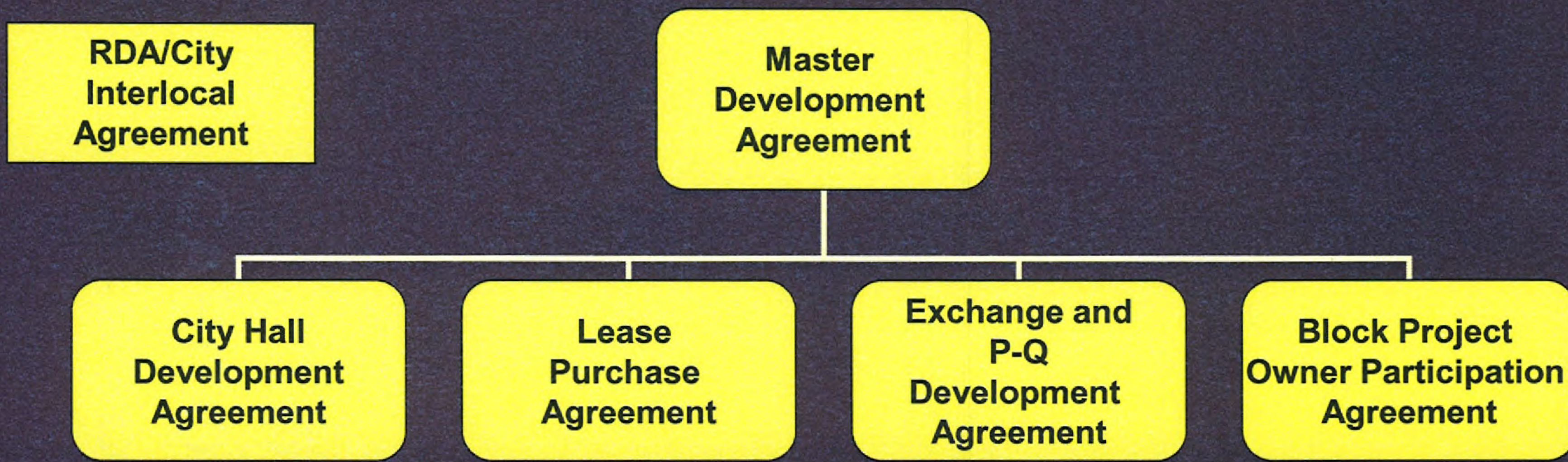
Development Update

- Plans approved and permit ready
- Main St garage financing complete/design-bid process well underway
- GMP secured

Funding/Budget Recap – City Hall

COP's	$137,000,000
Int. Service Funds/Grants	$6,000,000
UP Phase 1 Bonds	$5,100,000
Capital Fund Balance	$4,000,000
General Fund Balance	$5,000,000
Total Sources of Funds	**$157,100,000**
Less GMP/Cost Estimate	**$146,248,000**
Budget Savings	**$10,852,000**

Transaction Overview



- Sets terms for development of building by FC
- Incl. compl. guarantee

- COPs funded
- Incl. annual appropr. clause

- Sets site exchange terms
- Incl. covenant on PQ

- Sets TIF rebate terms
- Sets schedule for dev.

Financial Options Analysis

- DMC Approved COPs
  - Lowest Upfront Payments – years 1 - 7
  - Highest Payments – after year 7
- GO/Revenue Bonds
  - lowest total financing cost
  - puts property tax rate at risk (GO obligation)
- COPs Natixis
  - Bypass need for underwriting
  - Variable rate structure carried higher risk
- COPs as Build America Bonds (BABs)
  - Low total financing costs
  - No GO obligation
  - May require supplemental financing after year 3
- Hold / Do Nothing

Option Selected - COPs/BABs

- 30 yr term
- 35% BABs credit delivers GO-like rate (5.23%)
- $13.3 M annual payment
- Pros:
  - Very low interest cost; may not need refinancing
  - Doesn't burden General Fund (no GO pledge)
  - $101.1M of ARRA interest tax credits on BABs
- Cons:
  - Underwriter needs to market and sell bonds
  - May issue supplemental Revenue Bond
    - RDA to cover supplemental bonds +

Risk Analysis

- Whiting Turner contract assignable to City in the event of Forest City withdrawal
- Swap occurs out of escrow at completion
- Long term leases back up swap
- City holds land use control of PQ
- 4 - 7 years to achieve economic recovery

Other Risk Factors to Consider

- Current cost of borrowing has dropped, no guarantee what future borrowing cost will be
- One time use of stimulus bill with BABs
- Risk of pledging future General Fund tax revenues
- RDA/City interlocal mitigates future GF risk
- TIF/land sale revenues may not cover payments
- Proceeding keeps Forest City vested downtown
- Will a delay cause redevelopment backslide?

Jobs and Investment Impact

Actions Under Consideration Today

- Omnibus Ordinance (CC Item #50)
- Block Project OPA City Resolution (Joint Agenda Item #3)
- Block Project OPA RDA Resolution (Joint Agenda Item #4)
- RDA Interlocal Agreement Resolution (Joint Agenda Item #5)
- City Interlocal Agreement Resolution (Joint Agenda Item #6)
- Land Exchange Public Purpose Resolution – AB 312 (Joint Agenda Item #7)
- Resol. Approving Transaction Docs. and Joint Approval Certificate (Joint Agenda Item #8)

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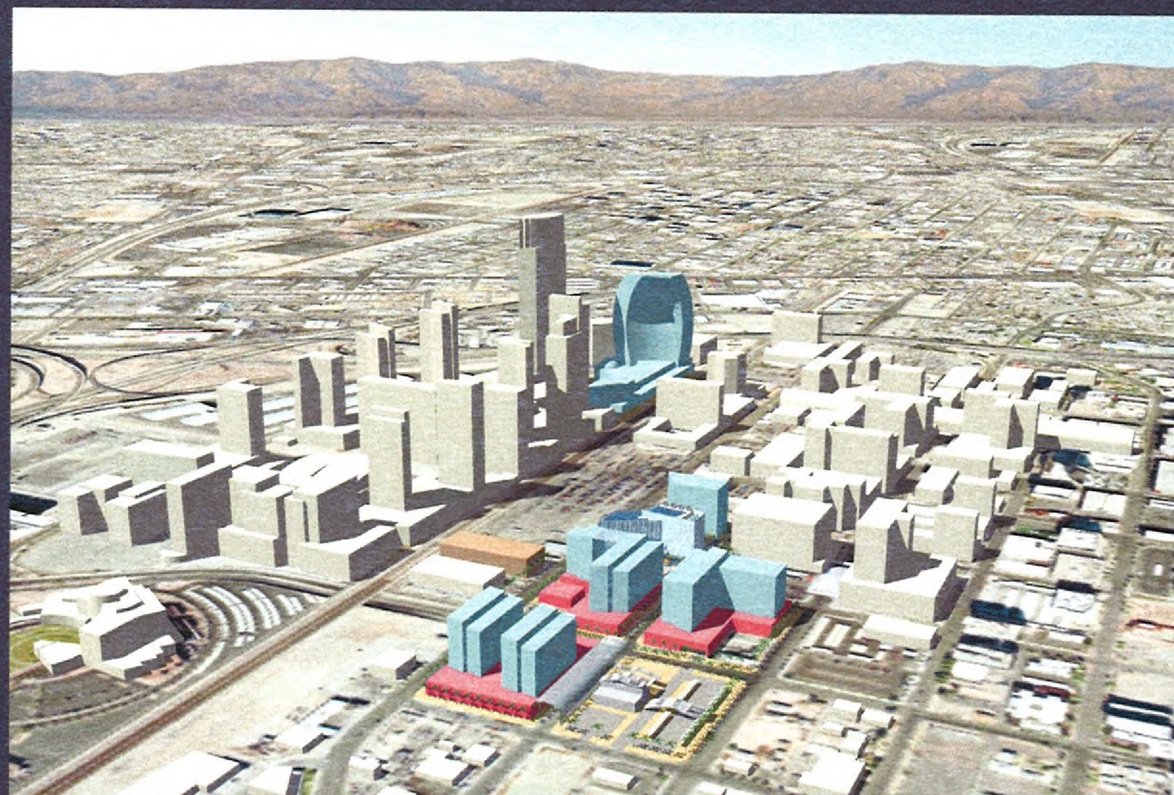

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