

City Hall Final Report



Presentation to City Council
December 2, 2009

Overview

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

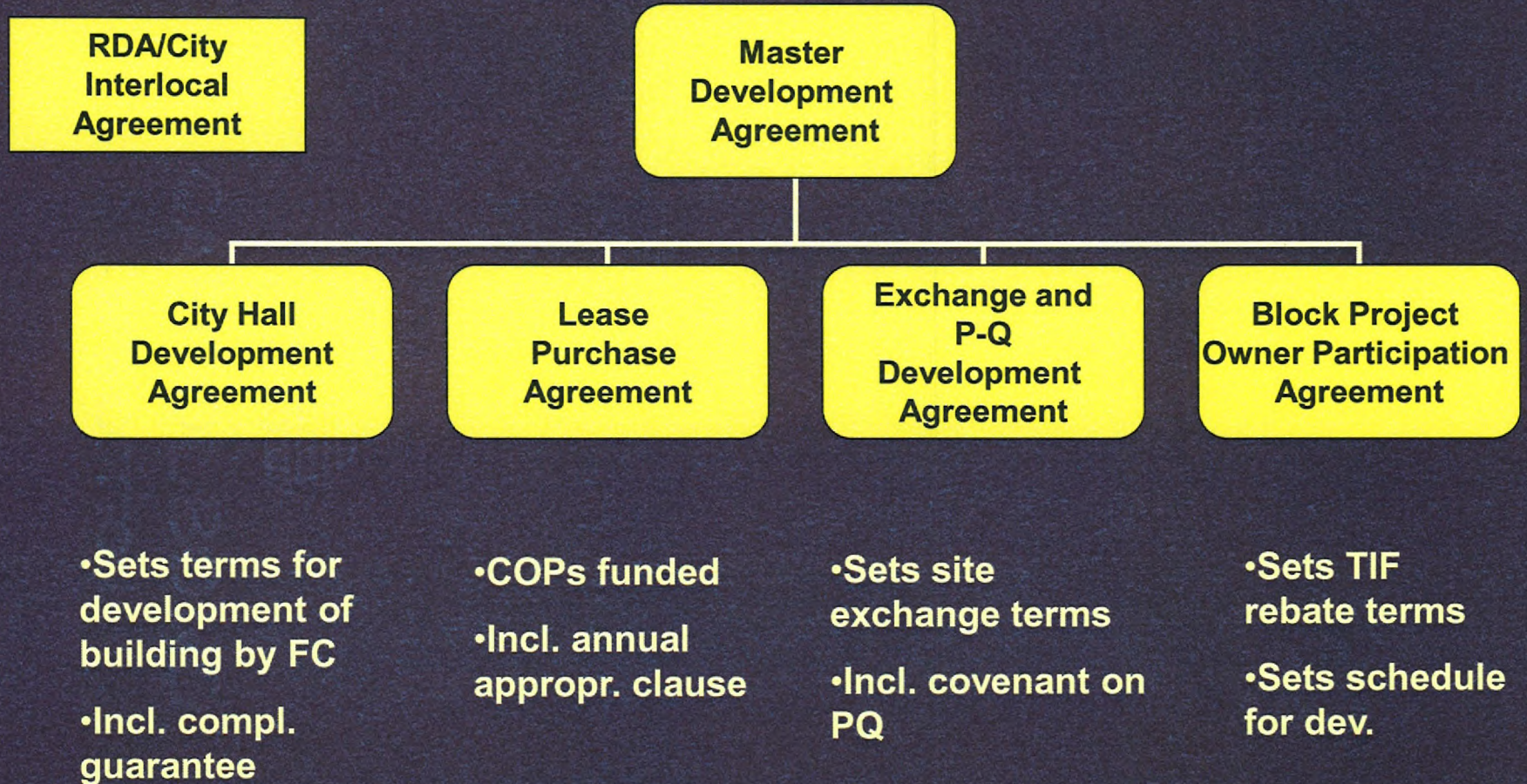
Development Update

- 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



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?

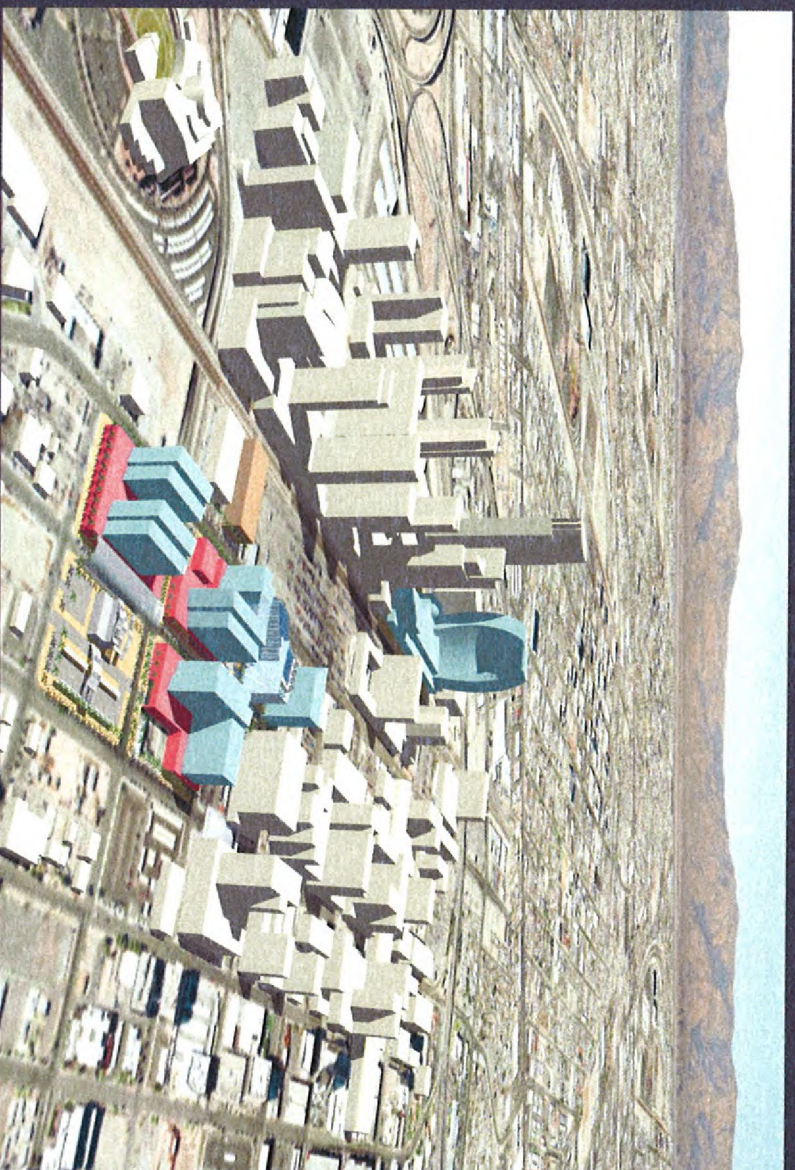
Jobs and Investment Impact



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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