

DATE: October 27, 2003

TO: Pasadena Community Development Commission
THROUGH: Finance Committee

FROM: Chief Executive Officer

SUBJECT: APPROVAL OF A RESOLUTION APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF TWO SUPPLEMENTAL INDENTURES, AND TWO SUPPLEMENTAL LOAN AGREEMENTS RELATED TO THE REFINANCING OR RESTRUCTURING OF TWO HOLLY STREET APARTMENTS BOND FINANCINGS IN THE AMOUNTS OF \$32.5 MILLION AND \$6.9 MILLION

RECOMMENDATION

It is recommended that the Pasadena Community Development Commission adopt a Resolution Approving and Authorizing the Execution and Delivery of Two Supplemental Indentures, and Two Supplemental Loan Agreements Related to Holly Street Apartments Bond Financings.

BACKGROUND

In 1991, the Pasadena Community Development Commission (PCDC) issued two series of multifamily housing revenue bonds in an aggregate amount of \$39,400,000 to provide financing for the project then known as the Civic Center West Project, and currently known as Holly Street Apartments. The proceeds of the bonds were used to make a loan to Pasadena Civic Center West, a California limited partnership (PCCW) that constructed the project. PCCW, as the owner of the apartments, has paid the debt service on the bonds.

PCCW has recently sold the Holly Street Apartments to a new owner, Holly Street, L.P. The new owner has requested that the PCDC consider the issuance of refunding bonds to refund, in whole, the bonds issued by the PCDC in 1991 to finance the project. Under current market conditions substantial savings can be achieved if the 1991 bonds are refinanced. Staff is working with the new owner of the project on the documents for the refunding bonds and expects to present the documents to the PCDC for approval in November, so that the refunding transaction can be completed by December 1, 2003.

The 1991 bonds were issued under a complex set of documents including two bond indentures each between the PCDC and the trustee for the bond owners, and the proceeds of the 1991 bonds were loaned to PCCW under the provisions of two loan agreements between the PCDC and PCCW. In order to facilitate the anticipated refunding of the 1991 bonds, the current owner of the Holly Street Apartments has requested that the PCDC approve various amendments to the indentures and the loan agreements.

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DISCUSSION

In order for the refunding of the 1991 bonds to occur in an expedited fashion, it is necessary to amend the indentures and the loan agreements related to the 1991 bonds. The proposed amendments allow for a notice of redemption of the 1991 bonds to be sent to bond owners prior to the closing of the refinancing transaction, and make certain other technical amendments that will facilitate the refunding. In order to be in a position to complete the refunding of the 1991 bonds on December 1, 2003, it is necessary for the amendments to be approved prior to November 1, 2003, the date by which a notice of redemption of the 1991 bonds must be sent to the bond owners.

The proposed amendments have been reviewed by bond counsel to the PCDC for this matter, Quint & Thimmig LLP, which firm will render a legal opinion that the amendments do not adversely affect the 1991 bond owners. The amendments have also been reviewed by Financial Security Assurance Inc., the company that provided an insurance policy for the 1991 bonds which provides for payment on the 1991 bonds even if the payments by the project owner fall short of the debt service due on the bonds. As stated above, the proposed amendments facilitate the refunding of the 1991 bonds.

FISCAL IMPACT

The 1991 bonds are payable from the project revenues and are not a general obligation of the PCDC. The PCDC did, however, arrange for certain collateral to be provided to assure payment of the bonds which collateral will be released if the proposed refunding bonds are issued. The current owner of the Holly Street Apartments has agreed to pay all costs of the PCDC in connection with the proposed amendments and the issuance of the refunding bonds, and has indemnified the PCDC in the bond documents against any litigation or claims that could arise relative to the PCDC's approval of the amendments.

Respectfully submitted,



Cynthia J. Kurtz
Chief Executive Officer

Approved by:



Jay M. Goldstone
Commission Treasurer

Concurrence:



Richard Bruckner
Dir. of Planning and Development