

Agenda Report

TO: CITY COUNCIL/PASADENA COMMUNITY DEVELOPMENT COMMISSION
THROUGH FINANCE COMMITTEE (October 25, 2004) **DATE:** OCTOBER 25, 2004

FROM: CITY MANAGER/CHIEF EXECUTIVE OFFICER

RE: JOINT ACTION: APPROVAL OF COMMUNITY BANK TERM CREDIT LOAN TO THE CITY OF PASADENA IN THE AMOUNT OF \$1,300,000 AND APPROVAL OF \$1,300,000 LOAN BY THE CITY OF PASADENA TO THE PASADENA COMMUNITY DEVELOPMENT COMMISSION RELATED TO PLAZA LAS FUENTES PHASE II PROJECT.

RECOMMENDATION

1. It is recommended that the City Council adopt a Resolution:
 - A) Approving the terms and conditions of a loan between the City and Community Bank, subject to the terms and conditions as contained in Exhibit "A" to this report; and final documentation.
 - B) Approving a loan to Pasadena Community Development Commission (the "Commission") from the City in the amount of \$1.3 million in accordance with a promissory note/reimbursement and repayment agreement which reflects the terms and conditions of the Community Bank loan.
 - C) Authorizing the City Manager to execute: (1) the requisite loan documents between Community Bank and the City, and (2) a promissory note/reimbursement and repayment agreement between the City and the Commission.

2. It is recommended that the Commission take the following actions:

- A) Approve a loan in the amount of \$1.3 million to the Commission from the City in accordance with a promissory note/reimbursement agreement which reflects the same terms and conditions of the Community Bank loan.
- B) Authorize its Chief Executive Officer to execute the promissory note/reimbursement repayment agreement between the City and the Commission.

BACKGROUND

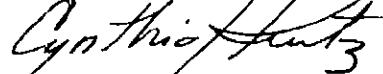
In August 1986, the Pasadena Community Development Commission ("Commission") borrowed \$1.3 million from Central Bank (now Bank of the West) to fund Commission acquisition of a portion of the real property comprising Phase II of the Plaza Las Fuentes project. This property is located at the northeast corner of Colorado Boulevard and Euclid Avenue and is commonly known as 367 E. Colorado Boulevard (the "Kaplan property").

In October 1993, the City Council approved refinancing of the Bank of the West loan by authorizing a \$1,300,000 term credit loan with Sanwa Bank. Sanwa Bank's loan expired on August 31, 1996 at which time the City refinanced Sanwa Bank's loan with a loan from City National Bank. The City National loan expired on September 30, 2000, and the City refinanced it with a loan from Community Bank which expired on October 18, 2001. The loan was extended with an expiration date of October 18, 2002 then renewed in 2002, and again in 2003 with a new maturity date of October 18, 2004. Staff's recommendation is to extend the current loan with Community Bank with the same terms and conditions at the fixed rate of 2.9% (prime rate minus 1.85%).

FISCAL IMPACT:

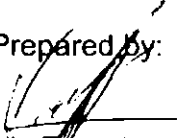
The Commission will reimburse the City the monthly interest payable to the Bank. There is no fiscal impact to the City. The City acts as a conduit in this transaction. Funds are available and budgeted in Commission's budget for fiscal year 2005 to service debt on this financing. The interest cost related to this refinancing is being reimbursed by the Developer to the Commission pursuant to the existing promissory note between the Commission and the Developer.

Respectfully submitted



Cynthia J. Kurtz

City Manager/Chief Executive Officer

Prepared by:

Vic Paganian
City Treasurer

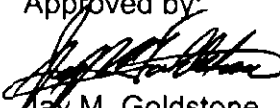
Approved by:

Jay M. Goldstone
Director Finance

EXHIBIT A

Commitment Letter

Prepared for

City of Pasadena

October 11, 2004

**COMMUNITY BANK
PASADENA COMMERCIAL BANKING CENTER**

**505 East Colorado Blvd.
Pasadena, Ca 91101
626-568-2233**

Craig Stewart, First Vice President/Manager

October 11, 2004

Mr. Vic Erganian, Treasurer
City of Pasadena
100 North Garfield Avenue
Pasadena, CA 911093

Dear Vic:

Community Bank ("Bank") is pleased to extend its credit accommodation commitment of the City of Pasadena ("Borrower") for the purpose of refinancing an existing \$1,300,000 obligation with Community Bank. This commitment is subject to the terms and conditions described below in this letter.

We thank you for this opportunity to assist you with this financial need and look forward to continuing our long lasting relationship. We appreciate the opportunity to work together by providing these financing accommodations.

It should be noted that this commitment letter is not meant to be an attempt to define all of the terms of this commitment. Further negotiations that add to or modify the general scope of these basic terms will not be precluded by the issuance of this commitment, or its acceptance by Borrower. Finally, the Bank's commitment to fund the credit facility outlined herein is subject to the execution of a definitive Loan Agreement (the "Loan Agreement") and any other documentation deemed necessary by Bank, or its legal counsel.

TERM LOAN – Credit Facility:

Borrower:	City of Pasadena
Type:	Single Payment Principal Note
Amount:	One Million Three Hundred Thousand Dollars (\$1,300,000)
Purpose:	To provide refinancing of an existing obligation
Maturity:	One (1) year
Repayment:	Monthly payments of accrued interest
Interest:	A fixed interest rate equal to the Prime Rate as quoted in the Wall Street Journal minus 1.85% for one year. Interest shall be calculated on a 360-day basis. The Prime Rate as quoted in the Wall street Journal as of this date is 4.75%.
Loan Fee:	None

City of Pasadena
October 11, 2004

General Terms and Conditions:

The above credit facility will be governed by a Loan Agreement customary for this type of credit transaction, together with such other loan documentation as may be required by Bank or its legal counsel to comply with all applicable laws, regulations, and requirements of the Bank. Said documentation will contain such terms and conditions as deemed necessary by the Bank including definitions, conditions to loan closing, events of default, normal covenants customary for this type of extension of credit and other items related to this contemplated loan.

Tax Exempt:

Borrower to maintain Federal Income Tax Exemption status of this obligation.

Reporting Requirements:

Borrower to deliver to Bank the following:

- Borrower's fiscal year end CPA audited financial statements within 180 days of each fiscal year end.

Financial Covenants:

Terms and conditions of the loan as required by the Bank and as described in the loan documents, including but not limited to:

- Borrower to remain financially solvent.
- Standard monetary and non-monetary defaults.

Conditions Precedent:

Banks determination of whether to document the financing contemplated herein will be subject to receipt and satisfactory review by Bank, as determined by Bank, of the following:

- Standard representations, warranties and covenants of the Borrower.
- No material adverse changes.
- Payment of all out-of-pocket expenses due to Bank, if any.
- Loan is not assumable.

City of Pasadena
October 11, 2004

General Comments:

Community Bank reserves the right to withdraw this letter, in its sole determination, based on the financial conditions of the Borrower, the condition and value of the collateral, and any item(s) deemed adversely material by the Bank. This letter is not meant to be, nor shall it be construed as an attempt to define all of the terms and conditions of the transaction being contemplated. Instead, it is intended only to outline certain basic requirements and points of business understanding around which legal documentation is to be structured. Further negotiations or changes to this loan commitment and the general terms set forth herein shall not be precluded by the issuance of this letter and its acceptance. Any change in terms or modifications including documentation approved by the Bank that differs in terms and conditions from this letter shall prevail.

Please note that the contents of this letter are confidential and are provided to you solely for the purposes described herein. This letter may not be relied upon by any third party, and the Borrower will not deliver, display, or otherwise disclose the contents of this letter to any third party without the prior written consent of the Bank. This commitment is personal to the Borrower and may not be transferred or assigned.

Please indicate your acceptance of the general terms and conditions of this commitment by signing where indicated. We will then proceed as quickly as possible with completion of our due diligence and documentation. Unless accepted by you as set forth below, this letter shall expire thirty days from this date, and if the facilities contemplated herein are not funded, for any reason, within sixty days of this date, the Bank's obligation to do so will expire.

Upon execution of the Loan Agreement this letter shall terminate and the terms and conditions contained herein shall merge into the Loan Agreement. If there is any inconsistency between the terms of this letter and the Loan Agreement, the terms of the latter shall control.

City of Pasadena
October 11, 2004

Thank you again for this opportunity to serve you. We look forward to continuing our long and mutually beneficial relationship. If you have any questions, please do not hesitate to call us at (626) 568-2233 or (626) 568-2230, respectively.

Sincerely,



Craig Stewart
First Vice President/Manager

Agreed to and Accepted by:

CITY OF PASADENA

By: _____

Name

VIC ERGANIAN

Title

CITY TREASURER

Date: _____

RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA
AUTHORIZING THE BORROWING OF FUNDS FROM COMMUNITY BANK AND
THE LENDING OF THOSE FUNDS TO THE PASADENA COMMUNITY
DEVELOPMENT COMMISSION

WHEREAS, the City Council of the City of Pasadena (the "City") adopted its Resolution No. 7002 on October 12, 1993, authorizing the City to borrow \$1,300,000 from Sanwa Bank California ("Sanwa Bank") for the purpose of, in turn, lending those funds to the Pasadena Community Development Commission, a public body, corporate and politic ("Commission"), to enable the Commission to repay certain indebtedness owed by the Commission to the Bank of the West; and

WHEREAS, pursuant to the authority conferred by Resolution No. 7002, the City entered into a Term Loan Credit Agreement with Sanwa Bank and executed and delivered to Sanwa Bank a promissory note evidencing the term loan in the amount of \$1,300,000 (the "Original Term Loan"); and

WHEREAS, the Term Loan Credit Agreement extended to the City the option to extend the term of the Original Term Loan from its original expiration date of June 30, 1994 to August 31, 1995, provided that the City Council of the City adopted a resolution authorizing the extension and appropriated funds sufficient to service the Original Term Loan during the extension term; and

WHEREAS, by the adoption of Resolution No. 7128 on June 6, 1994, the City Council of the City of Pasadena duly elected to extend the date for payment of the unpaid principal balance of the Original Term Loan to August 31, 1995 and, likewise, elected to extend the date for

payment of the unpaid principal balance of its loan of \$1,300,000 to the Commission from June 30, 1994 to August 31, 1995; and

WHEREAS, the City subsequently extended the terms of both loans until August 31, 1996; and

WHEREAS, the City subsequently refinanced the Original Term Loan in accordance with Resolution No. 7681 with a loan from City National Bank, which loan expired on September 30, 1998 and extended the term thereof in accordance with Resolution No. 7806 by the City on September 27, 1999, so that expiration date of the City National Bank Loan is September 30, 2000;

WHEREAS, the City refinanced the Community Bank Loan pursuant to Resolution No. 8058 adopted by the City Council on October 22, 2001,

WHEREAS, the City refinanced the Community Bank Loan pursuant to Resolution No. 8179 adopted by the City Council on November 18, 2002,

WHEREAS, the City refinanced the Community Bank Loan pursuant to Resolution No. 8308 adopted by the City Council on October 27, 2003,

WHEREAS, this City Council desires to refinance the Community Bank Loan, and intends to approve with the terms and provisions of a Term Loan Credit Agreement (the "Agreement") with Community Bank and the execution thereof along with such other documents, including, specifically, a Promissory Note (the "Note") evidencing the indebtedness to be created by the Note; and

WHEREAS, this City Council further desires to extend the term of its loan to the Commission in a like amount and for a like period of time in accordance with the terms and

provisions of an amendment to a promissory note/reimbursement agreement to be executed by the Commission and delivered to the City's Director of Finance; and

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Pasadena hereby finds, determines, declares and resolves as follows:

1. The form of the Agreement attached hereto as Exhibit "A" is hereby approved.
2. The City Manager and the City Clerk of the City are hereby authorized and directed to execute and deliver the Agreement substantially in the form attached hereto as Exhibit "A," with such changes therein as such officer executing the same on behalf of the City may approve in his or her discretion, as being in the best interest of the City, such approval to be conclusively evidenced by such officers' execution thereof, and the City Manager, the City Clerk, the Director of Finance and other officers of the City are hereby authorized and directed to execute and deliver the Note and any other documents required to be executed pursuant to the Agreement.
3. All actions heretofore taken by the City Council and the officers and agents of the City with respect to the borrowing of the funds from Community Bank and the lending thereof to the Commission are hereby approved, confirmed and ratified, and the proper officers of the City are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the terms and provisions of the Agreement and the subsequent loan of those funds to the Commission in accordance with this resolution and any certificate, agreement, and other document described in the documents herein approved.

Adopted at the regular meeting of the City Council on the _____ day of _____, 2004, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JANE RODRIGUEZ, CMC
CITY CLERK

APPROVED AS TO FORM:



10/13/04

NICHOLAS GEORGE RODRIGUEZ
ASSISTANT CITY ATTORNEY