

# Agenda Report

August 2, 2010

**TO:** Honorable Mayor and City Council  
**FROM:** Finance Department  
**SUBJECT:** UPDATED PLAN OF ISSUANCE AND GUIDELINES FOR RECOVERY ZONE BONDS

**RECOMMENDATION:**

This report is for information only

**EXECUTIVE SUMMARY:**

The 2009 American Recovery and Reinvestment Act (ARRA) authorized new financing mechanisms designed to help stimulate the national, state, and local economies. Two of these instruments, Recovery Zone Economic Development Bond (RZEDB) and Recovery Zone Economic Development Facilities Bond (RZFB), were made available through an allotment process administered by the respective States. For the State of California this administration process became the responsibility of the California Debt Limit Allocation Committee (CDLAC). The City of Pasadena received a \$7.4 million allotment for RZEDBs and an \$11.1 million allotment for RZFBs. The administration process established by CDLAC required all California entities who received a RZEDB and/or RZFB allotment to submit a "Plan of Issuance" to CDLAC which contained a preliminary list of the projects which would be completed using the RZEDB and RZFB allotments. The City of Pasadena complied with this requirement on January 25, 2010. CDLAC also required that an updated and more final "Plan of Issuance" be submitted by August 15, 2010. Following a competitive selection process based on criteria which included a new construction requirement, environmentally friendly (Green) practices, new job creation, and revenue creation, the original projects were narrowed down to two projects to be included in the Updated "Plan of Issuance". The final projects included are the Rose Bowl renovation project utilizing the City's RZEDB \$7.4 million allotment and the 880 E. Colorado Boulevard Renovation project utilizing the City's RZFB \$11.1 million allotment. These projects are described in more detail later in this report.

**BACKGROUND:**

On August 10, 2009, City Council adopted a Resolution pursuant to Section 1401 of Title I of Division B of the ARRA of 2009 of the Internal Revenue Code of 1986

authorizing the entire geographic area of the city as a Recovery Zone for the purpose of issuing Recovery Zone Economic Development bonds. The ARRA created two types of Recovery Zone Bond: 1) Recovery Zone Economic Development Bond (RZEDB) and 2) Recovery Zone Economic Development Facility Bond (RZFB). Pasadena was awarded \$7.4 million in RZEDB and \$11.1 million RZFB. In January CDLAC, which is the State agency authorized to oversee the administration process for entities in the State of California, required agencies to submit a "Plan of Issuance" listing potential projects which would use the RZEDB and RZFB allotments. The "Plan of Issuance" acted as a placeholder for projects with August 15, 2010 as the deadline by which CDLAC requires agencies to submit a more final "Plan of Issuance" project update.

Agencies that received an allocation are required to provide CDLAC with any and all updates to their Plan as necessary (ie. awards, significant changes to the projects(s) schedule, etc) no later than August 15, 2010. "Plan of Issuance" allocations not supported by documentation received by the August 15, 2010 deadline will automatically be deemed waived to CDLAC.

Staff is proposing the following Updated "Plan of Issuance":

Original "Plan of Issuance" projects January 2010	Revised "Plan of Issuance" projects August 2010	Allocation Amount
<u>RZEDB Eligible Projects:</u>  1. Rose Bowl public improvements and renovation project. 2. City owned parking structures seismic retrofitting/ADA improvements project. 3. Streetcar System linking Pasadena's Business Improvement Districts.	<u>RZEDB Allocation:</u>  Rose Bowl public improvements and renovation project	\$7.4 million
<u>RZFB Candidates Eligible Projects:</u>  1. 880 E. Colorado Boulevard Renovation project. 2. Rose Bowl Public improvement and renovation project. 3. Sun Edison Solar Panel project proposal	<u>RZFB Allocation</u>  880 E. Colorado Boulevard Renovation project	\$11.1 Million

The Updated "Plan of Issuance" identifies projects that were considered eligible for Bond allocation in the first column. Following a competitive selection process the projects on the right were awarded the bonds based on four criteria, new construction, Green Practices, new job creation, and revenue creation. Below is a description of each of the projects selected for bond allocation and actions taken to-date.

**Recovery Zone Economic Development Bonds ("RZEDBs") total allocation of \$7.4 Million**

**RZEDB Award:**

The City's RZEDB was allocated to the Rose Bowl public improvements and renovation project. The current total of \$7.4 million allocation is scheduled to be used for this project. The supplemental Environmental Impact Report was certified in June 2008. On April 27, 2009, the City Council approved \$1.5 million funding for a feasibility study and for the design and architectural work. A financing team has been assembled and it is anticipated that by October 2010, revenue studies will be completed and final agreements will be signed by the tenants. It is estimated that final bond documents will be finalized in early November 2010 for Council approval with an estimated closing date of the financing in late November 2010. The project would be completed in three phases. The initial phase will commence in 2011 and all work will be completed by 2013. The total project cost is estimated at approximately \$172 million.

**Tax-Exempt Recovery Zone Facility Bonds ("RZFBs") total allocation of \$11.1 million**

**RZFB Award:**

Park Place Commercial, LP located at 880 E. Colorado Boulevard Renovation Project was allocated the City's RZFB entire allocation of \$11.1 million. The bond will be used for the renovation of the former existing Constance Hotel. Currently, the project's Environmental Impact Report is being circulated for comments with public hearings with the Zoning Hearing Officer and the Transportation Advisory Commission (TAC) scheduled in August 2010. It is anticipated that the final bond documents will be complete by the end of the year. The Updated "Plan of issuance" takes into consideration the necessary process needed to secure the bond allocation. Any approval by the Council does not constitute approval of the project. Separate public hearings will take place for the entitlements and this is expected during the fall. The estimated total cost of the project is approximately \$76 million.

**COUNCIL POLICY CONSIDERATION:**

Consideration of the Updated "Plan of Issuance" will comply with the City's General Plan goals and policies. Specifically, Objective 10 (Diverse Economy) encourages a diverse economic base that serves local residents by providing jobs and city revenue. The Updated "Plan of Issuance" is intended to outline the City's intent to issue bonds for

construction activity that will have a positive impact, resulting in jobs for local residents and revenue for the City of Pasadena.

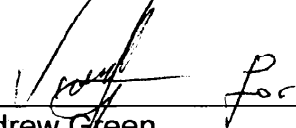
**ENVIRONMENTAL ANALYSIS:**

Submitting the City's Updated "Plan of Issuance" is not considered a project, thus no environmental review subject to the California Environmental Quality Act is required.


**FISCAL IMPACT:**

This action is required in order to comply with CDLAC's requirement and deadline of August 15, 2010, and secure Pasadena's allocation of \$7.4 million of RZDB's and \$11.1 million of RZFB's, however, positive financial impacts are expected once the projects are completed.

Respectfully submitted,

  
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