

Agenda Report

DATE: JUNE 30, 2003

TO: City Council

THROUGH: Finance Committee

FROM: Cynthia J. Kurtz, City Manager

SUBJECT: Refinancing of Certain HUD Section 108 Guaranteed Loan to the City of Pasadena and Authorizing the City Manager to Execute Related Documents.

RECOMMENDATION:

It is recommended that the City Council adopt a resolution authorizing the refinancing of an existing loan with HUD under Section 108 of the Housing and Community Development Act of 1974 and authorize the City Manager to execute the documents related thereto.

BACKGROUND:

The City of Pasadena has an outstanding Section 108 loan of \$2,735,000 under Section 108 Loan Guarantee Assistance program with the Department of Housing and Urban Development (HUD). The current loan bears a weighted average interest rate of 6.8%. The loan was obtained in 1993 in the principal amount of \$3,725,000 and was used for the acquisition of property for development of the shopping center in the Fair Oaks Redevelopment project Area.

DISCUSSION:

Due to the current attractive interest rate environment, staff is recommending refinancing this loan. The refinancing will be facilitated by HUD through a public offering. The

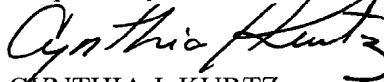
City's current loan will be paid off by the proceeds of the offering and replaced by a new Section 108 loan guaranteed by HUD at much lower rates.

This transaction solely refinances the existing debt and does not either extend the maturity of the existing loan nor generates any proceeds for additional projects. Given today's interest rate environment, it is estimated that the new loan will bear a weighted average interest rate of 3.0% and will generate an aggregated \$600,000 in interest rate savings over the life of the loan.

FISCAL IMPACT:

The proposed refinancing will result in lower interest rates and projected annual savings of approximately \$75,000 in fiscal year 2004 and \$100,000 per year thereafter, in the Community Development Block Grant Fund 219. Once the actual savings are determined, staff will consult with the Northwest Commission and return to Council with recommendations to reprogram the cost savings in the FY04 budget.

Respectfully submitted,




CYNTHIA J. KURTZ
CITY MANAGER

Prepared by:



Vic Erganian
City Treasurer

Approved by:



Jay M. Goldstone
Director of Finance