

Agenda Report

DATE: June 8, 2009

TO: City Council and Community Development Commission

THROUGH: Economic Development and Technology Committee

FROM: Michael J. Beck, City Manager/Chief Executive Officer

SUBJECT: Refinancing of Lake/Washington Retail Center under Disposition and Development Agreement ("DDA") between Community Development Commission and Watt/Johnson Commercial Venture ("Developer").

RECOMMENDATION:

It is recommended that the City Council and Community Development Commission ("Commission") adopt a Resolution approving Watt/Johnson's request to redeem and retire all of the outstanding 1984 demand certificates of participation, which were used to initially finance the development of the Property, and replace them with a conventional mortgage loan.

COMMUNITY DEVELOPMENT COMMITTEE RECOMMENDATION:

On April 23, 2009 the Community Development Committee recommended that the Community Development Commission approve Watt/Johnson's request to redeem and retire all outstanding 1984 demand certificates of participation ("COP"), which were used to initially finance the development of the Property, and replace them with a conventional mortgage loan.

BACKGROUND

On September 11, 1984, the Commission entered into a DDA with Watt/Johnson Commercial Venture for development of the Retail Center located on the southwest corner of Lake and Washington Avenue. Initially, the development was financed with variable rate demand certificates of participation having a seven day callable period. Pursuant to the terms of the DDA, the Developer is requesting the consent of the Commission to replace the COP with a conventional mortgage loan. This requested refinancing substitutes one financing mechanism for another and does not provide additional cash to the Developer. The City/Commission is obligated to "reasonably

“reasonably approve” the Developer’s request. The Developer believes that conventional fixed-rate notes will reduce the financing risk in this challenging economy.

FISCAL IMPACT

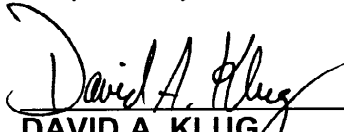
Refinancing the Property through a conventional mortgage loan will have no impact on the Commission.

Respectfully submitted:



for **MICHAEL J. BECK**
City Manager/Chief Executive Officer

Prepared by:



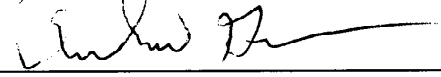
DAVID A. KLUG
Redevelopment Manager

Approved by:



RICHARD BRUCKNER
Director of Planning & Development

Concurrence:



ANDREW GREEN
Commission Treasurer

RESOLUTION NO.

**A RESOLUTION OF THE PASADENA COMMUNITY
DEVELOPMENT COMMISSION CONSENTING TO
WATT/JOHNSON'S REQUEST TO REFINANCE THE 1984
VARIABLE RATE DEMAND CERTIFICATES OF
PARTICIPATION ON THE LAKE/WASHINGTON RETAIL
CENTER TO BE REPLACED BY A CONVENTIONAL FIXED
RATE MORTGAGE LOAN**

WHEREAS, the Pasadena Community Development Commission ("Commission") entered into Contract No. 12,090 in 1984 entitled "DISPOSITION AND DEVELOPMENT AGREEMENT" ("DDA") with Watt/Johnson Commercial Venture, now known as W/J Commercial Venture, L.P., a California limited partnership ("Owner") the purpose of which was to provide for the development of the North Lake Square Retail Center (the "Development"); and

WHEREAS, pursuant the DDA, the Owner is required to obtain the consent of the Commission prior to taking certain actions with regard to the Development subsequent to the execution of the DDA; and

WHEREAS, pursuant to Section 322 of the DDA, the Owner is prohibited from entering into any financing or refinancing relating to the Development without the prior written approval of the Commission, which approval shall not be unreasonably withheld; and

WHEREAS, the Owner has requested that the Commission consent to the refinancing of the outstanding 1984 variable rate demand certificates of participation in the outstanding principal amount of \$2,543,509.80 which were used to initially finance the Development and to replace those certificates with a conventional mortgage loan to be provided by California Republic Bank; and

WHEREAS, the extreme volatility in the variable rate demand bond market has negatively impacted the Owner's residual receipts, could significantly increase the interest rate paid on the outstanding bonds, and in turn, has and could further negatively impact the amount of the payments to the Commission as provided in the DDA; and

WHEREAS, refinancing the 1984 variable rate demand certificates of participation and replacing those certificates with a conventional fixed rate mortgage loan will provide stability and will positively impact the Owner's residual receipts as well as the amount of the payments to the Commission; and

WHEREAS, the Finance Department and the City Attorney's Office have both reviewed this request and find that it is in the best interest of both the Owner and the Commission that the Commission consent to this refinancing;

NOW THEREFORE, BE IT RESOLVED by the Pasadena Community Development Commission:

1. The Pasadena Community Development Commission hereby consents to the request of W/J Commercial Venture, L.P., to refinance the outstanding 1984 variable rate demand certificates of participation in the outstanding principal amount of \$2,543,509.80 which were used to initially finance the Development and to replace those certificates with a conventional fixed rate mortgage loan from California Republic Bank.
2. The Chief Executive Officer is authorized and directed to execute any necessary documents that may be required by the lender or the Owner evidencing the consent specified in this resolution and as called for in the DDA.
3. The Secretary shall certify the adoption of this resolution and shall permanently maintain a copy thereof in the records of the Commission.

Adopted at a meeting of the Community Development Commission on the ____ day of _____, 2009, by the following vote:

AYES:

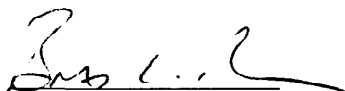
NOES:

ABSENT:

ABSTAIN:

Mark Jomsky, Secretary

Approved as to form:



Brad L. Fuller
Assistant General Counsel