

# Agenda Report

July 26, 2010

**TO:** Honorable Mayor and City Council  
**FROM:** Finance Department  
**SUBJECT:** TEFRA Hearing and Resolution of the City to set forth the City's Official intent to issue Recovery Zone Facility Bonds to undertake the financing of Park Place Commercial, LP located at 880 East Colorado Boulevard and Urth Caffe located at 592 East Colorado Blvd

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Hold a TEFRA (Tax Equity and Fiscal Responsibility Act) Hearing for Park Place Commercial, LP located at 880 East Colorado Boulevard and Urth Caffe located 592 East Colorado Boulevard; and
2. Adopt a Resolution setting forth the City's official intent to issue Recovery Zone Facility Bonds (RZFBs) to administer the financing for qualified projects, Park Place Commercial LP located at 880 East Colorado Boulevard and Urth Caffe located at 592 East Colorado Blvd in the City of Pasadena.

## **BACKGROUND:**

Under the American Recovery and Reinvestment Act (ARRA), new categories of bonds were created. One new category is the RZFB that gives issuers the temporary ability to issue private activity tax-exempt bonds. At this point in the process, staff has designated a Recovery Zone, completed a Request for Proposal, and awarded the City's \$11.1 million RZFB allocation. On May 10, 2010, the Council recommended awarding the City's entire \$11.1 million RZFB allocation to the proposed project located at 880 East Colorado Boulevard. In addition, the City Council directed staff to submit a California Debt Limit Allocation Committee (CDLAC) application for projects that were not awarded the City of Pasadena's bond allocation, but stand to be eligible for additional funding. As part of the submittal requirement a TEFRA Hearing and approval of a Bond Inducement Resolution must be conducted for each project as required by CDLAC and submitted by August 15, 2010.

The recommended action is expressly for the purpose of inducing the borrowers to undertake the projects, and nothing contained herein shall be construed to signify that the projects comply with the planning, zoning, subdivision and building laws and ordinances applicable thereto or to suggest that the City or any officer or agent of the City will grant any such approval, consent or permit that may be required in connection with the acquisition and construction or rehabilitation of the projects, or that the City will make any expenditures, incur any indebtedness, or proceed with the financing of the project.

Project A: As previously mentioned, City Council approved the entire RZFB allocation to Park Place Commercial LP, developer of the proposed project located at 880 East Colorado Boulevard. This project includes a phased multi-story mixed use project measuring approximately 252,315 square feet. Phase one includes the renovation of the existing 65,750 square foot hotel to provide 136 hotel rooms and add 20 new hotel rooms and five residential units. Phase two and three includes an office component measuring 103,410 square feet and retail/commercial (restaurant) measuring 54,771 square feet. The entire amount of \$11.7 million RZFB will only be used for the historic renovation of the former Constance Hotel.

Project B: Although this project did not receive the City' RZFB allocation, it is still eligible for additional funding should funds become available. Projects need to be further along the development process and Urth Pasadena Development LLC was the only project which met this requirement and desired to proceed with RZFB financing. This project includes the construction of a multi-use building at 592 East Colorado Boulevard that will house Urth Caffe Restaurant measuring approximately 2,875 square feet. In addition a 3,058 square foot specialty retail shop and a 4,756 square foot commercial office building is proposed. Parking will be provided on site for the proposed use. On June 16, 2010, the Zoning Hearing Officer approved the entitlements for the project. Urth Pasadena Development LLC is requesting \$4 million dollar in RZFB from CDLAC.

**COUNCIL POLICY CONSIDERATION:**

Through the TEFRA Hearing and Bond Inducement Resolution the City Council will meet the objectives and directives of the General Plan, by continuing with the Diverse Economy which encourages the promotion and creation of a diverse economic base that serves residents by providing jobs and City revenue. Furthermore, Policy 10.8 of the General Plan (Regional Economy), is intended to attract and provide for Pasadena's share of the region's economic investment and development.

**FISCAL IMPACT:**

Conducting a TEFRA Hearing and approving a Bond Inducement Resolution will present no fiscal impact to the City. The adoption of the Resolution complies with the requirements of Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations. The City of Pasadena does not bear any responsibility for the tax exempt status of the bonds, the debt service of the bonds nor any other matter related to the bonds.

Respectfully submitted,



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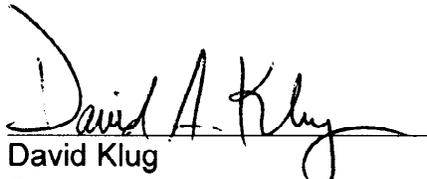
ANDREW GREEN  
Director of Finance

Prepared by:



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Vic Ergonian  
City Treasurer/Deputy Director of Finance



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David Klug  
Redevelopment Manager

Approved by:



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MICHAEL J. BECK  
City Manager

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY OF PASADENA SETTING FORTH THE CITY'S OFFICIAL INTENT TO ISSUE RECOVERY ZONE FACILITY BONDS TO UNDERTAKE THE FINANCING OF VARIOUS RECOVERY ZONE PROJECTS AND RELATED ACTIONS**

**WHEREAS**, the City of Pasadena, acting directly or through an affiliated governmental entity (the "City") is authorized and empowered by the City Charter and the laws of the State of California to issue recovery zone facility bonds for the purpose of financing "recovery zone property" for use within designated "recovery zones," as described; and

**WHEREAS**, the borrowers identified in Exhibit A hereto and/or related entities (collectively, the "Borrowers") have requested that the City issue and sell recovery zone facility bonds (the "Bonds") for the purpose of financing the acquisition, construction or rehabilitation as set forth in Exhibit A, of certain recovery zone property projects identified in Exhibit A hereto (collectively, the "Projects"); and

**WHEREAS**, the City, in the course of assisting the Borrowers in financing the Projects, expects that the Borrowers have paid or may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Projects within 60 days prior to the adoption of this Resolution and prior to the issuance of the Bonds for the purpose of financing costs associated with the Projects on a long-term basis; and

**WHEREAS**, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the City to declare its reasonable official intent to reimburse prior expenditures for the Projects with proceeds of a subsequent tax-exempt borrowing; and

**WHEREAS**, the City wishes to declare its intention to authorize the issuance of Bonds for the purpose of financing costs of the Projects (including reimbursement of the Reimbursement Expenditures, when so requested by the Borrower upon such terms and conditions as may then be agreed upon by the City, the Borrower and the purchaser of the Bonds) in an aggregate principal amount not to exceed the amount with respect to each Project set forth in Exhibit A; and

**WHEREAS**, Section 1400U-1 of the Internal Revenue Code of 1986 limits the amount of recovery zone facility bonds that may be issued in any calendar year by entities within a state;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Pasadena, as follows:

Section 1. The above recitals, and each of them, are true and correct.

Section 2. The City hereby determines that it is necessary and desirable to provide financing for the Projects (including reimbursement of the Reimbursement Expenditures) by the issuance and sale of Bonds pursuant to the Act, as shall be authorized by resolution of the City at a meeting to be held for such purpose, in aggregate principal amounts not to exceed the amounts set forth in Exhibit A. This action is taken expressly for the purpose of inducing the Borrowers to undertake the Projects, and

nothing contained herein shall be construed to signify that the Projects comply with the planning, zoning, subdivision and building laws and ordinances applicable thereto or to suggest that the City or any officer or agent of the City will grant any such approval, consent or permit that may be required in connection with the acquisition and construction or rehabilitation of the Projects, or that the City will make any expenditures, incur any indebtedness, or proceed with the financing of the Project.

Section 3. This resolution is being adopted by the City solely for purposes of establishing compliance with the requirements of Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations. In such regard, the City hereby declares its official intent to use proceeds of indebtedness to reimburse the Reimbursement Expenditures.

Section 4. The officers and/or staff of the City are hereby authorized and directed to apply to the California Debt Limit Allocation Committee for an allocation of recovery zone facility bond cap to be issued by the City for each of the Projects in an amount not to exceed the amounts set forth in Exhibit A, and to take any and all other actions as may be necessary or appropriate in connection with such application, including but not limited to the payment of fees, the posting of deposits and the provision of certificates, and any such actions heretofore taken by such officers and program managers are hereby ratified, approved and confirmed.

**PASSED** by the City Council of the City of Pasadena at a regular meeting this \_\_\_\_ day of \_\_\_\_, 2010, by the following vote:

AYES:

NOES:

ABSENT:

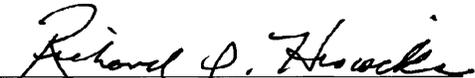
\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Asst. City Attorney

APPROVED AS TO FORM:

ORRICK, HERRINGTON & SUTCLIFFE LLP

  
\_\_\_\_\_  
Richard I. Hiscocks, Partner

**EXHIBIT A**

<b>Project Name</b>	<b>Project Locations</b>	<b>Project Description</b>	<b>Legal Name of initial owner/operator</b>	<b>Bond Amount</b>
Urth Pasadena Development, LLC	592 East Colorado Blvd.	Construction of Urth Caffè restaurant at approximately 10,689 square feet.	Urth Pasadena Development, LLC	\$4 million
Park Place Commercial, LP Development Colorado at Lake	880 East Colorado Blvd.	Phased, multi-story mixed use project measuring 252,315 square feet. First phase includes the renovation of the existing 65,750 square foot hotel to provide 136 hotel rooms and add 20 new hotel rooms and five residential units. The second and third phase includes an office component measuring 103,410 square feet and retail/commercial (restaurant) measuring 54,771 square feet.	Park Place Commercial, LP	\$11.1 million