

N.A-1

REPORT

To the Mayor and Members of the City Council
and Redevelopment Agency Board
From the City Manager and Executive Director

September 22, 2003

Subject:

Amendment to the loan agreement between the City of Redwood City and the Redwood City Redevelopment Agency.

Recommendation:

Approve the amendment to the loan agreement between the City of Redwood City (City) and the Redwood City Redevelopment Agency (Agency) adjusting the interest rate to an amount equal to the City's actual rate of return.

Background and Analysis:

The City and Agency entered into a Loan Agreement on January 8, 2003, under which the City agreed to loan the Redevelopment Agency \$20 million for downtown improvement projects. The loan from the City to the Agency was intended to be a short-term loan that would be repaid when the Agency issued bonds later in 2003.

At the time the agreement was prepared, staff in consultation with bond counsel and other finance professionals, established the interest rate on this loan at 7% for years 2003 through 2023 and 7.25% for years 2023 through 2032. This rate was established to represent the interest rate the Agency would be expected to pay with the issuance of the bonds, assuming (conservatively) that the Agency might have to issue taxable bonds.

With more time to explore the nature of the projects being financed, bond counsel and tax counsel have determined that the projects being undertaken are eligible to be financed with tax-exempt bonds. The issuance of the tax exempt bonds was approved on September 8, 2003

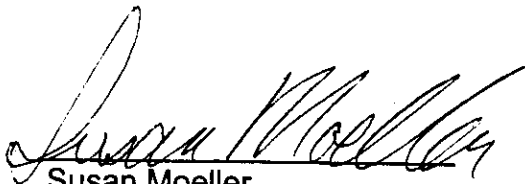
In preparing the Agency funding plan for the FY 03-04 budget and subsequently the bond issue, staff adjusted the interest rate referenced in the loan agreement to reflect the City's actual rate of return on funds rather than the higher rate. This approach preserved funds for projects and reduced the total bond financing required.

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Fiscal Impact

The proposed amendment adjusts the interest rate approved in the original loan agreement to an amount equal to the actual rate the City earns on its investment portfolio. The Agency will owe the City \$396,732 in interest through August 1, 2003. Interest will also be charged to the Agency until October 2003 when the Agency bonds are issued. The interest payments were included in the Agency's FY 2003-04 budget.

It is recommended that the City Council and Redevelopment Agency Board approve the amendment to the Loan Agreement adjusting the interest rate to reflect the actual earnings on the funds.


Susan Moeller
Redevelopment Manager


Bruce Liedstrand
Community Development Director


Ed Everett
City Manager

Attachments: Amendment No. 1

12.A-3

**AMENDMENT NO. 1
TO LOAN AGREEMENT
(CITY OF REDWOOD CITY/CITY OF REDWOOD CITY REDEVELOPMENT AGENCY)**

This Amendment No. 1 is entered into and effective as of the ___ day of September, 2003, amending the Agreement dated January 8, 2003 (the "Agreement") by and between the REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Agency"), and the CITY OF REDWOOD CITY, a charter city and municipal corporation organized and existing under the laws of the State of California (the "City") (collectively, the "Parties") for a loan from the City to the Agency in the amount of twenty million dollars (\$20,000,000) (the "Loan") for downtown improvement projects to be completed by the Agency.

RECITALS

A. The Parties desire to alter the Agreement by adjusting the loan interest rate to an amount equal to the City's actual rate of return.

B. The Parties have negotiated and agreed to the revised interest rate.

NOW, THEREFORE, in consideration of these recitals and the mutual covenants contained herein, the Parties agree as follows:

1. In addition to those services contained in the Agreement, as may have been amended from time to time, the Debt Service Schedule (Loan Exhibit "A") will be adjusted to reflect the City's actual rate of return.

2. The term of this Amendment shall commence upon the date first hereinabove written and shall expire upon the repayment of the Loan unless this Agreement is further amended.

3. All other provisions of the Agreement, as may have been amended from time to time, will remain in full force and effect.

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