

# THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

## MEMORANDUM

TO: REDEVELOPMENT AGENCY BOARD	FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SUBJECT: SEE BELOW	DATE: OCTOBER 8, 2010

### INFORMATION

SUBJECT: MERGED AREA REDEVELOPMENT PROJECT REVENUE BONDS, 1996 SERIES A & B AND 2003 SERIES A & B – JP MORGAN LETTERS OF CREDIT EXTENSION

I am pleased to report that on September 24, 2010, the Agency received a term sheet from JP Morgan that offers to extend the Letters of Credit for the subject bonds, which are outstanding in the amount of \$96,870,000. The term sheet offers a one year extension, a fee of 1.95% and enables the Agency to keep 100% of the bonds outstanding. The fee is an improvement over last year's fee of 2.2%, representing an approximate savings of \$250,000 per year.

The negotiation is a direct result of the continuous Redevelopment staff efforts throughout the year, including redevelopment area tours, numerous phone calls and face-to-face meetings to ensure our multi-decade relationship with JP Morgan continues. The negotiation continues regarding certain debt covenants as follows:

- A liquidity reserve, which may be equal to one year's annual debt service or approximately \$5 million;
- An outside consultant review of the Agency's fixed assets to ascertain the approximate value should the Agency choose to sell such assets; and,
- A prohibition on issuing new debt during the next year.

The Letter of Credit amendments and corresponding proposed revisions to the Agency's Revised 2010-11 Capital and Operating Budget and Three Year Spending Plan will be brought to the Board for its consideration on October 26. Without the Board's approval, the Bonds would become due and payable when the Letters of Credit expire on November 26, 2010.

  
HARRY S. MAVROGENES  
Executive Director