

SUMMARY and FISCAL NOTE*

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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE providing for certain remedial actions with respect to the City’s Limited Tax General Obligation Improvement and Refunding Bonds, 2007, including providing for the defeasance and redemption of certain of those bonds that are currently outstanding; creating a new fund for the expenditure of disposition proceeds; authorizing the execution of a defeasance trust agreement and the carrying out of a defeasance plan and directing the use of additional disposition proceeds; authorizing certain transfers necessary to carry out the foregoing; authorizing the purchase of certain investments and the use of their proceeds; and ratifying and confirming certain prior acts; all by a 3/4 vote of the City Council.

Summary and background of the Legislation: This ordinance authorizes the defeasance of bonds, as legally required, upon the proposed sale of the Pacific Place Garage. In 1998, the Garage was acquired with tax-exempt bonds. These bonds were refinanced with new bonds at lower interest rates in 2007. Tax exempt bonds may only be used for qualified public purposes. Once sold, the Garage will no longer meet this requirement and the City is required to defease all allocable bonds. Although the 2007 bonds are not callable until December, 2017, the City may meet the federal requirement by using a portion of the sale proceeds to fill an escrow which will then be used to make debt service payments and to call the bonds in 2017. This legislation authorizes the Director of Finance to execute a defeasance trust agreement with a bank which will provide these escrow services and call the bonds. It is expected that the defeasance of bonds will require up to approximately \$59 million.

Anticipated proceeds of approximately \$87 million from the sale of the Pacific Place Garage will initially be placed in the Parking Garage Operations Fund (46010). Up to approximately \$59 million will be transferred to the new Garage Defeasance Subfund (created pursuant to this ordinance within the Bond Interest and Redemption Fund) to defease all allocable bonds.

The remainder of the sale proceeds will be transferred to the new Garage Disposition Proceeds Fund (created by this ordinance) to ensure that they will only be used for eligible capital projects (projects which could be otherwise financed with tax-exempt bonds).

This legislation does not make changes to the Budget or CIP. Please see companion legislation - bills to authorize the sale of the Pacific Place Garage and to repay the Garage Fund’s interfund loan.

2. CAPITAL IMPROVEMENT PROGRAM

This legislation creates, funds, or amends a CIP Project.

3. SUMMARY OF FINANCIAL IMPLICATIONS

This legislation does not have direct financial implications.

4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**
Yes. The passage of the proposed legislation will eliminate the City's obligation to continue making debt service payments on the bonds.
- b) **Is there financial cost or other impacts of not implementing the legislation?**
The City is legally required to defease the bonds upon sale of the Garage.
- c) **Does this legislation affect any departments besides the originating department?**
No
- d) **Is a public hearing required for this legislation?** No
- e) **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?** No
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No
- g) **Does this legislation affect a piece of property?**
See the companion legislation, authorizing the sale of the Pacific Place Garage.
- h) **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?** No.
- i) **If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.** N/A
- j) **Other Issues:** None.

List attachments/exhibits below: