

CITY OF GARDEN GROVE
INTER-DEPARTMENT MEMORANDUM

To:	Matthew Fertal	From:	Chet Yoshizaki
Dept:	City Manager	Dept:	Economic Development
Subject:	APPROVAL OF ISSUANCE AND ALLOCATION OF RECOVERY ZONE FACILITY BONDS FOR THE EMBASSY SUITES HOTEL EXPANSION PROJECT	Date:	April 27, 2010

OBJECTIVE

Conduct a public hearing under the Tax and Equity Fiscal Responsibility Act ("TEFRA") in connection with the proposed issuance of Recovery Zone Facility Bonds, in an amount not to exceed \$20,000,000 ("Bonds"), for the purpose of financing the first phase of the Embassy Suites Hotel Expansion ("Project") located on 11767 Harbor Boulevard and to consider a resolution (Attachment) providing the approval under TEFRA of the issuance of the Bonds to finance the Project.

BACKGROUND/ANALYSIS

On January 26, 2010, the City Council approved a Resolution designating the redevelopment project areas within the City the Garden Grove Recovery Zone for the purpose of issuing public and private bonds under the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds are intended to stimulate the economy in the Recovery Zones through economic development and job creation. Under ARRA, two types of bonds were created- the Recovery Zone Economic Development Bond for public infrastructure and Recovery Zone Facility Bonds (RZFB) for private businesses to finance capital projects. RZFBs are issued by a governmental entity to obtain tax-exempt status, and proceeds are loaned to the borrower to fund the project. Except as expressly, provided in the bond proceedings, the governmental entity does not obligate itself to repay the bonds.

The City has accepted an application from Landmark Hotels, LLC requesting the issuance of revenue bonds and authorization of a loan agreement to finance the all or a portion of the costs associated with the expansion of the Embassy Suites Hotel including parking, restaurant and common facilities, and design and engineering costs related to those facilities ("the Project"). The Project is located in the designated Recovery Zone and will generate an estimated 200 construction jobs and 100 permanent jobs in the community.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City Council must conduct a public hearing pursuant to TEFRA that provides members of the community an opportunity to speak in favor of or against the use of tax exempt

APPROVAL OF ISSUANCE AND ALLOCATION OF RECOVERY ZONE FACILITY BONDS
FOR THE EMBASSY SUITES HOTEL EXPANSION PROJECT

April 27, 2010

Page 2

bonds for the financing of a proposed project. Prior to a TEFRA hearing, reasonable notice must be provided to members of the community. Notice of public hearing with respect to execution of delivery of tax-exempt bonds to finance the Project was published fourteen (14) days prior to tonight's TERFRA hearing.

Prior to the issuance of the Bonds, the \$20,000,000 allocation must be authorized by the State. The California Debt Limit Allocation Committee is currently reviewing an application for the purpose of providing an RZFB allocation for Project and as part of the application process has requested that the City conduct a TEFRA Hearing and adopt what is known as an Inducement Resolution providing for the issuance of the RZFB allocation for the Project. If the City receives the allocation or any portion thereof, the City or an affiliated entity may then issue the bond allocation and enter into a loan in a principal amount not to exceed \$20,000,000, lending the proceeds of such loan to Landmark Hotels, LLC and allocating an amount not to exceed \$20,000,000 of the City's RZFB Allocation for the benefit of the project to be financed pursuant to such loan.

FINANCIAL IMPACT

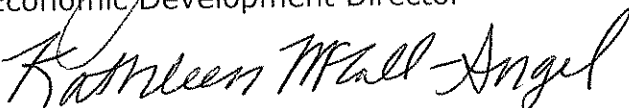
- There is no financial impact to the City's general fund. Debt service is to be paid by the private borrower, Landmark Hotels, LLC pursuant to a loan agreement to be entered into between Landmark Hotels, LLC and the City.

RECOMMENDATION

Staff recommends that the City Council:

- conduct the public hearing and adopt the Resolution approving the City or affiliated entity entering into a loan in a principal amount not to exceed \$20,000,000 and lending the proceeds of such loan to Landmark Hotels, LLC and allocating an amount not to exceed \$20,000,000 of the City's RZFB allocation for the benefit of the Project to be financed pursuant to such loan.


CHET YOSHIZAKI
Economic Development Director



By: Kathleen McCall-Angel
Economic Development Specialist

Approved for Agenda Listing


Matthew Fental
City Manager

Attachment: Resolution

RESOLUTION NO. 2010-___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE APPROVING THE CITY OR AFFILIATED ENTITY ENTERING INTO A LOAN IN A PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000 AND LENDING THE PROCEEDS OF SUCH LOAN TO LANDMARK HOTELS, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY , AND ALLOCATING AN AMOUNT NOT TO EXCEED \$20,000,000 OF THE GARDEN GROVE RECOVERY ZONE FACILITY BOND ALLOCATION FOR THE BENEFIT OF THE PROJECT TO BE FINANCED PURSUANT TO SUCH LOAN.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GARDEN GROVE AS FOLLOWS:

Section 1. The City Council hereby finds, determines and declares as follows:

A. Pursuant to the American Recovery and Reinvestment Act of 2009 (“ARRA”) and applicable state law, the City of Garden Grove (the “City”) has designated a “Recovery Zone” within the City by resolution (the “Garden Grove Recovery Zone”).

B. Pursuant to ARRA, among the tax incentives conferred on the City is the ability to issue tax-exempt recovery zone facility bonds in amounts not exceeding the available allocation thereof, to make a Loan to qualifying business borrowers to finance the cost of certain commercial, uses qualifying as “recovery zone property” to be used by a “qualified business” as that term is defined in ARRA and applicable regulations and provisions of the Internal Revenue Code of 1986, as amended (collectively, (the “Code”)).

C. The City expects to have an available allocation of \$24,794,000 consisting of its original allocation of \$4,794,000 and a requested transfer of allocation from the State of \$20,000,000, and the City has committed this allocation to the Project and; as of the date of this Resolution, the City has not utilized any of the allocation.

D. The City has accepted an application (the “Application”) from Landmark Hotels, LLC, a California limited liability company, or a related entity, as applicable (the “Applicant”), requesting the City or any affiliated entity to issue its revenue bond and enter into a loan agreement pursuant to applicable law, to finance the acquisition of and equipping of certain facilities comprising an expansion of the existing 347 room hotel located at 11767 Harbor Boulevard, including parking lot expansion, new restaurant and common area (the “Project”) to be owned and operated by the Applicant, or a related entity, within the City; and

E. The Applicant has represented in the Application certain facts and information concerning the Project and the Applicant.

F. The City Council in evaluating the Project has relied upon the written facts and information represented in the Application by the Applicant as well as any comments made before the City Council in conjunction with the hearing on this matter.

K. This City Council of the City of Garden Grove (the "City Council") has considered the information contained in the Applicant's application and has considered the determinations of the Authority.

L. The Bond must be approved by the City Council to satisfy the public approval requirements of Section 147(f) of the Code.

M. It is intended that this Resolution shall constitute the approval of the Project and the Bond as required by Section 147(f) of the Code.

N. The City Council is the elected legislative body of the City and is the applicable elected representatives required to approve the execution and delivery of the Bond under Section 147(f) of the Code.

P. Pursuant to Section 147(f) of the Code, prior to their execution and delivery, private activity bonds are required to be approved by the "applicable elected representative" of the governmental units on whose behalf such obligations are expected to be issued and by a governmental unit having jurisdiction over the entire area in which any facility financed by such obligations is to be located, after a public hearing held following reasonable public notice.

Q. There has been published, at least 14 days prior to the date thereof, in a newspaper of general circulation within the City, a notice that a public hearing regarding the Bond and the loan of the proceeds to the Applicant would be held by the City Council on April 27, 2010.

R. Such public hearing has been conducted by the City, at which time an opportunity was provided to interested parties to present arguments both for and against the issuance of the Bond.

Section 2. The City Council hereby finds and determines that the Project will provide significant public benefits to residents of the Garden Grove Empowerment Zone.

Section 3. The City Council hereby approves the Project and the issuance of obligations (the "Bond") to finance on a tax-exempt basis the costs of the Project, which Bond and interest thereon shall be paid from revenues received by the Issuer from the Applicant pursuant to a Loan Agreement. This resolution shall constitute both "host" and "issuer" approval of the Bond within the meaning of Section 147(f) of the Code.

Section 4. The ultimate issuer of the Bond is hereby designated as an issuer in an amount of the available allocation equal to \$20,000,000 consisting of the City's existing allocation and a portion of the requested State transfer amount for the benefit of the Applicant (the "Allocation") or such lesser amount as may be represented by the Bond. Such Allocation may only be used by such issuer for the Project, as specifically described herein and represented in the Application. No further transfer of the Allocation set forth herein to any other governmental unit in the State except the City is authorized hereby.

Section 5. All actions heretofore taken by the officers, employees and agents of the City with respect to the approval of the Bond are hereby approved and ratified, and the officers and employees of the City and their authorized deputies and agents are hereby authorized and directed, jointly and severally, to do any and all things to execute and deliver any and all certificates and documents which they, bond counsel and the City Attorney the City may deem necessary or

advisable to consummate the issuance of the Bond and the loan of the proceeds to the Applicant and otherwise effectuate the purposes of this Resolution.

Section 6. Neither the faith and credit nor the taxing power of the State, the City, or any political subdivision of the State, is pledged to the payment of the principal of, premium, if any, or interest on the Bond, nor is the State or any political subdivision of the State, in any manner obligated to make any appropriation for such payment.

Section 7. This Resolution shall take effect from and after its adoption.