

**OFFICE OF INDEPENDENT BUDGET ANALYST
CITY OF SAN DIEGO
M E M O R A N D U M**

No. 06-22R

DATE: September 26, 2006

TO: Honorable Council President and Members of the City Council

FROM: Andrea Tevlin, Independent Budget Analyst

SUBJECT: Revision to Memorandum No. 06-22 (Line of Credit with Bank of America N.A. for the North Park Redevelopment Project Area), Item 332

This memorandum seeks to clarify the interest rate differential between the requested line of credit from Bank of America, N.A. (BofA) and long-term fixed rate financing as discussed in IBA Memorandum No. 06-22 issued on September 22, 2006. Specifically, the line of credit from BofA is estimated to be .33% lower than long-term fixed rate financing for tax-exempt project activities in the North Park Redevelopment Project Area (approximately 75% of all activities to be financing with this borrowing). For taxable project activities (approximately 25% of all activities to be financing with this borrowing), the line of credit from BofA is estimated to be .23% higher than long-term fixed rate financing in the North Park Redevelopment Project Area.

In summary, we want to amend the rationale bullet in Memorandum No. 06-22 stating that “the BofA line of credit is available at interest rates that are only slightly higher (.33%) than interest rates for a public offering of long-term, fixed-rate tax allocation bonds.” This bullet should be restated to indicate that interest rates on the BofA line of credit would be .33% lower for tax-exempt project activities and .23% higher for taxable project activities. Given the current financial obligations of the North Park Redevelopment Project Area, the IBA supports utilization of the requested line of credit from BofA as it less expensive and more flexible than alternative financing at this time.