



# Memorandum

**TO:** HONORABLE MAYOR AND CITY  
COUNCIL

**FROM:** Scott P. Johnson

**SUBJECT:** TRESTLES APARTMENTS  
MULTIFAMILY HOUSING REVENUE  
BONDS, SERIES 2004A

**DATE:** February 18, 2004

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Approved

Date

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**Council District:** 6  
**SNI AREA:** Burbank/Del Monte

## SUPPLEMENTAL

### REASON FOR SUPPLEMENTAL MEMORANDUM

To transmit preliminary Official Statement, provide updated status on financing and inform the City Council that the resolution authorizing the issuance of the Bonds will allow the investment of funds and accounts in non-AMT AAA-rated tax-exempt obligations as an exception to the City's Investment Policy.

### DOCUMENTS RELATED TO THE FINANCING

Attached is a copy of the draft Official Statement for Trestles Apartments Variable Rate Demand Multifamily Housing Revenue Bonds, Series 2004A (the "Bonds") as discussed in the February 6, 2004 staff report.

*If any council member has any personal knowledge that any of the material information in the Official Statement is false or misleading, the council member must raise these issues prior to approval of the distribution of the document. City staff, bond counsel and the developer will be available at the City Council meeting on February 24, 2004 to address any questions, issues and/or concerns.*

Additionally, the following documents are on file in the City Clerk's Office:

- Trust Indenture ("Senior Trust Indenture")
- Financing Agreement
- Intercreditor Agreement
- Bond Purchase and Placement Agreement

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- Regulatory Agreement and Declaration of Restrictive Covenants
- Indenture of Trust (“Subordinate Indenture”)
- Loan Agreement

These documents are described in the staff report and are presented for City Council approval in substantially final form.

### **UPDATED STATUS OF FINANCING**

The series designation of the bonds will be 2004A and 2004A-S, rather than 2004A-1 and 2004A-2 as indicated in the staff report. The reason for this new designation is that the bonds will be issued under two separate indentures. The 2004A-1 and A-2 designation might give investors the impression that the bonds are issued under the same indenture.

Subsequent to the February 6, 2004 staff report, the Federal Home Loan Mortgage Corporation (“Freddie Mac”) has requested that the trustee have the ability to invest funds held by the trustee in non-AMT tax-exempt securities. This type of investment is not a permitted investment under the City’s Investment Policy. Accordingly, staff requests that the City Council authorize this variation from the City’s Investment Policy.

This change, as outlined in the City Council resolution, will permit the investment of amounts held in funds and accounts established under the Senior Trust Indenture in (i) money market funds where the investment portfolio consists solely of non-AMT tax-exempt obligations and is rated AAA, or (ii) non-AMT tax-exempt obligations rated in the highest short-term rating category by the rating agency providing a rating with respect to the Series 2004A Bonds (Standard & Poor’s).

### **COORDINATION**

This report has been prepared by the Finance Department in coordination with the Housing Department and the City Attorney’s Office.

SCOTT P. JOHNSON  
Director, Finance Department

Attachment