

**Ambac**

## Pittsburg, CA Accesses Funds and Reduces Financing Costs with Three-Part Variable Rate Tab

\$128,345,000

Redevelopment Agency of the City of Pittsburg, CA  
Tax Allocation Bonds

Attractive interest rates and impressive growth momentum of its redevelopment area gave Pittsburg, CA the opportunity to fund local projects at a favorable all-in cost late in 2004. Pittsburg, located 40 miles northeast of San Francisco at the confluence of the San Joaquin and Sacramento Rivers, includes a large (7,300 acre) redevelopment area, controlled by the city's Redevelopment Agency. This area has seen solid growth in housing and industrial activity and, in 2004 city officials sought to improve the agency's finances while accessing money for important infrastructure improvements and increased housing. With a complex, three-part bond issue structure and a variable-to-fixed interest rate swap considered for the deal, Pittsburg sought a financial guarantee for the bonds to simplify marketing and reassure investors.

Ambac Assurance joined the financing team to help structure the deal and ensure that the redevelopment agency would be able to achieve intended savings. Proceeds were earmarked for various development projects, including downtown infrastructure improvements, waterfront rehabilitation, and a new commercial business park. Additionally, a portion of the new issue would be used to refinance the agency's 1996 subordinate-lien tax increment debt, resulting in present-value savings of approximately \$1.6 million. To achieve the best rate, two tranches were issued as variable rate bonds and swapped into a synthetic fixed rate, potentially saving the agency \$700,000 or more per year compared with a more traditional fixed rate structure. The three-part, \$120 million financing was successfully issued in December 2004.

Contact:

Ted Molin  
First Vice President  
(212) 208-3361  
tmolin@ambac.com

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