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Goldman Sachs to Extend Maturity Date of Headquarter Bonds.

Goldman Sachs Group Inc. is extending the life of some debt that financed its downtown Manhattan headquarters.

The New York Liberty Development Corp. plans to issue $22 million of tax-free debt on behalf of a Goldman Sachs subsidiary that funded construction of the firm's 1.9 million-square-foot building at 200 West Street. The 20-year bonds will be tacked onto its outstanding $1.24 billion of securities due in 2035 that were sold 10 years ago. Proceeds will pay off owners of obligations that mature Oct. 1, according to offering documents.

The New York agency, which was created to spur development after the terrorist attacks on Sept. 11, 2001, is an example of conduit agencies across the U.S. that give companies access to the tax-exempt securities market to reduce interest costs. Goldman Sachs initially borrowed about $1.3 billion in 2005 through the Liberty Bond program, which was projected to save it at least $100 million over the life of the debt.

Trade Center

"This is a relatively small chunk of the deal that's coming due and to try to re-market that separately can be difficult," Jonathan Beyer, senior legal counsel at Empire State Development, said at a Sept. 1 meeting. The Liberty Development Corporation is a subsidiary of the firm. "The idea is to extend the maturity and consolidate it in a larger package for sale."

Others who have tapped the public corporation for financing include developer Larry Silverstein, who sold $1.6 billion of tax-exempt bonds last year to finance the construction of 3 World Trade Center, and Bank of America Corp., which borrowed for its tower across from Bryant Park in midtown Manhattan.

The new bonds for Goldman Sachs are considered a second tranche of the 2005 borrowing and will carry the same 5.25 percent interest rate as the 2035 debt. The securities could still be priced at a lower yield. Municipal debt due in two decades yield 0.6 percentage point less than 10 years ago, Bond Buyer data show.

While a security reopening is common in the U.S. Treasury market, it's rare in the $3.6 trillion municipal market. In such a transaction, a borrower sells an extra portion of previously issued debt with the same maturity and interest rate, even though it comes to market later at a different price.

The bonds have the same ratings as Goldman Sachs, which guarantees the debt service payments of its subsidiary. Moody's Investors Service has the debt at A3, four steps above speculative grade and equivalent to the A- rank from Standard and Poor's.

Tiffany Galvin, a spokeswoman in New York for Goldman Sachs, declined to comment on the deal beyond the offering statement.

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by Brian Chappatta

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