



City of San Leandro

Meeting Date: September 8, 2015

Staff Report

File Number: 15-478

Agenda Section: PUBLIC HEARINGS

Agenda Number: 4.B.

TO: City Council

FROM: Chris Zapata
City Manager

BY: Cynthia Battenberg
Community Development Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for Resolution Approving the Issuance of Revenue Bonds by the California Municipal Finance Authority to Finance the Acquisition, Rehabilitation, and Improvement of Las Palmas, a Multifamily Rental Housing Development Owned by Eden Housing

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council conduct a public hearing under the requirements of the Tax and Equity Fiscal Responsibility Act (TEFRA), Section 147(f) of the Internal Revenue Code of 1986, as amended, and adopt a resolution approving the California Municipal Finance Authority (CMFA) to issue revenue bonds for the purpose of financing the acquisition, rehabilitation and improvement of certain facilities for the benefit of LPSL, LP, a California limited partnership.

BACKGROUND

LPSL, L.P., a California limited partnership (Borrower) has requested that CMFA issue and sell revenue bonds in the maximum principal amount of \$25,000,000 (the "Bonds") for the purpose of making a loan to the Borrower, to (1) finance the acquisition, rehabilitation, improvement and equipping of a 91-unit affordable multifamily rental housing facility located at 15370 and 15375 Tropic Court, San Leandro, California; and (2) pay certain expenses incurred in connection with the issuance of the Bonds. The facilities will be owned and operated by LPSL, LP, a California limited partnership, or another entity created by Eden Housing, Inc., or an affiliate thereof.

Las Palmas Apartments is owned and operated by the nonprofit developer Eden Housing and represents a larger complex in the City's affordable rental housing inventory. The City approved a federal HOME loan to the property in 1999 that includes a regulatory agreement, which is still in effect, which provides that Eden Housing must maintain the majority of units as affordable housing. Around 1999, the property also received State/federal low income housing tax credits, which also restricted the majority of units as affordable; those credits expired. This

bond financing is related to Eden's efforts to apply again for housing tax credits ("resyndication") to make needed renovations to the aging Las Palmas, without City financial assistance.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of San Leandro must conduct a public hearing (TEFRA Hearing) that provides an opportunity for the community to speak upon the use of tax-exempt bonds for the financing of the Project. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA Hearing, an "applicable elected representative" of the governmental unit hosting the Project must provide its approval of the issuance of the Bonds for the financing of the Project.

Analysis

The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural and community development through the financing of economic development and charitable activities throughout California. To date, over 150 municipalities have become members of CMFA.

The CMFA was formed to assist local governments, non-profit organizations and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

The Bonds to be issued by the CMFA for the Project will be the sole responsibility of the Borrower, and the City will have no obligations, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project.

All financing documents with respect to the issuance of the Bonds will contain clear disclaimers that the Bonds are not obligations of the City or the State of California, but are to be paid for solely from funds provided by the Borrower.

There are no costs associated with membership in the CMFA and the City will in no way become exposed to any financial liability by reason of its membership in the CMFA. In addition, participation by the City in the CMFA will not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA hearing and adopting the required resolution, no other participation or activity of the City or the City Council with respect to the issuance of the Bonds will be required.

Applicable General Plan Policies

- Goal 56: AFFORDABLE HOUSING CONSERVATION: Encourage the preservation and rehabilitation of the existing affordable housing stock.

Environmental Review

No California Environmental Quality Act (CEQA) is involved in this action.

Summary of Public Outreach Efforts

Prior to a TEFRA hearing, reasonable notice must be provided to the community for an opportunity to speak in favor of or against the use of tax-exempt bonds. Legal requirements for notification of this meeting included notice in *The Daily Review*, a paper of general circulation, 22 days prior to the hearing and posting of the meeting agenda at City Hall a minimum of 72 hours in advance of the meeting date.

Fiscal Impacts

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (Foundation), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City, it is expected that CMFA will grant 25% of the issuance fee to the General Fund of the City. Such grant may be used for any lawful purpose of the City. The Borrower will be the beneficiary of the CMFA's charitable donation through a 25% reduction in issuance fees. Based on a \$25 million bond issuance, CMFA's issuance fee is \$50,000. The amount transferred to the City upon Bond closing will be \$12,500 (25% of the CMFA issuance fee).

Additionally, the acquisition, rehabilitation and improvement of Las Palmas will not require any City funding assistance. Eden Housing will seek these revenue bonds as well as federal/State low income tax credit financing, which Eden applied for in late August 2015, to fund the project.

ATTACHMENTS

None.

PREPARED BY: Steve Hernandez, Housing Specialist II, Community Development Department, Housing Services Division



City of San Leandro

Meeting Date: September 8, 2015

Resolution - Council

File Number: 15-484

Agenda Section: PUBLIC HEARINGS

Agenda Number:

TO: City Council

FROM: Chris Zapata
City Manager

BY: Cynthia Battenberg
Community Development Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: RESOLUTION Approving the Issuance of the California Municipal Finance Authority Revenue Bonds, Series 2015, in an Aggregate Principal not to Exceed \$25,000,000 for the Purpose of Financing the Acquisition, Rehabilitation, and Improvement and Equipping of Las Palmas, a 91-Unit Affordable Multifamily Rental Housing Development to be Owned by a Limited Partnership to Be Established by Eden Housing or Its Affiliate and Certain Other Matters Relating Thereto

WHEREAS, LPSL LP, a California limited partnership, or another entity created by Eden Housing, Inc. or an affiliate (Borrower), has requested that the California Municipal Finance Authority (CMFA) participate in the issuance of one or more series of revenue bonds in an aggregate principal amount not to exceed \$25,000,000 (Bonds) for the acquisition, rehabilitation, improvement and equipping of a certain 91-unit affordable multifamily rental housing facility (currently known as Las Palmas Apartments) located at 15370 and 15375 Tropic Court, San Leandro, California (Project) to be owned and operated by the Borrower and located within the City of San Leandro; and

WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (Code), the issuance of the Bonds by the CMFA must be approved by the City of San Leandro because the Project is located within the territorial limits of the City of San Leandro; and

WHEREAS, the City Council of the City of San Leandro is the elected legislative body of the City of San Leandro and is one of the "applicable elected representatives" required to approve the issuance of the Bonds under Section 147(f) of the Code; and

WHEREAS, the CMFA has requested that the City of San Leandro approve the issuance of the Bonds by CMFA in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 4 of the Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004, among certain local agencies, including the City of San Leandro; and

WHEREAS, pursuant to Section 147(f) of the Code, the City of San Leandro has, following notice duly given, held a public hearing regarding the issuance of the Bonds, and now desires to approve the issuance of the Bonds by the CMFA;

NOW, THEREFORE, the City Council of the City of San Leandro does RESOLVE as follows:

1. That the City Council hereby finds and determines that the foregoing recitals are true and correct.
2. That the City Council hereby approves the issuance of the Bonds with respect to the Project by the CMFA in the not to exceed amount set forth above. It is the purpose and intent of the City Council that this resolution constitute approval of the issuance of the Bonds by the CMFA only for the purposes of (i) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project will be located, in accordance with said Section 147(f), and (ii) Section 4 of the Agreement.
3. That the officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution and the financing transaction approved hereby.
4. That this Resolution shall take effect from and after the date of its passage and adoption.