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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 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.

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