



Legislation Text

File #: 12-167, **Version:** 1

Staff Report for Resolution Approving and Authorizing the City Manager to Execute a Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority (CFMA) and Approving the Issuance of Revenue Bonds by the CFMA to Finance the Acquisition and Rehabilitation of a Multifamily Rental Housing Development to Be Owned by a Limited Partnership to Be Established by Christian Church Homes or Its Affiliate

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 California Government Code Section 6500 (and following) to become a member of CMFA and adopt a resolution approving the issuance of revenue bonds by the CMFA and authorizing the City Manager to execute the Joint Exercise of Powers Agreement with the CMFA.

BACKGROUND

Christian Church Homes (CCH) requested that the CMFA serve as the municipal issuer of the bonds in an aggregate principal amount not to exceed sixteen million dollars (\$16,000,000) of tax-exempt revenue bonds. The proceeds of the bonds will be used to finance the acquisition and rehabilitation of a 75-unit multifamily housing rental facility (currently known as Fargo Senior Center) located at 868 Fargo Avenue (the Project). The facilities are to be owned by a California limited partnership (Borrower) to be formed by or on behalf of CCH and will be operated initially by CCH Management Services. A portion of the units in the Project will be occupied by low or very low-income households.

In order for all or a portion of the bonds to qualify as tax-exempt bonds, the City must conduct a public hearing (the "TEFRA Hearing") to provide community members an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project. Prior to such TEFRA Hearing, reasonable notice must be provided to 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.

In order for the CMFA to have the authority to serve as the issuer of the bonds for the Project, it is necessary for the City to become a member of the CMFA. Attached to this report is a copy of the Joint Exercise of Powers Agreement (Agreement) to be executed by a designated signatory of the City.

The Agreement provides that the CMFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing such agreement.

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 financial, legal, moral obligation, 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.

Other than holding the TEFRA hearing, adopting the required resolution and executing the Agreement of the CMFA, no other participation or activity of the City or the City Council with respect to the issuance of the bonds will be required.

The Agreement expressly provides that any member may withdraw from such agreement upon written notice to the Board of Directors of the CMFA. In the case of the proposed bond financing for the Borrower and following its execution of the Agreement, the City could withdraw from the CMFA by providing written notice to the Board of Directors of the CMFA at any time following the issuance of the bonds.

Applicable General Plan Policies

- Goal 56: AFFORDABLE HOUSING CONSERVATION: Encourage the preservation and rehabilitation of the existing affordable housing stock.
- Goal 58: SPECIAL NEEDS POPULATIONS: Proactively address the special housing needs of the community, including seniors, disabled individuals, single parents, large families, and the homeless.

Summary of Public Outreach Efforts

Prior to a TEFRA hearing, reasonable notice must be provided to members of 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, 23 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. 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.

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.

ATTACHMENTS

- Joint Exercise of Powers Agreement

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