



Agenda Item No. \_\_\_\_\_

File Code No. 280.01

# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** November 22, 2011

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** TEFRA Hearing For American Baptist Homes Of The West (Valle Verde) Debt Issuance

### **RECOMMENDATION:**

That Council hold a public hearing and adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving a Tax-Exempt Bond Financing to be Issued by the California Statewide Communities Development Authority to Benefit American Baptist Homes of the West and Certain Affiliates.

### **DISCUSSION:**

The California Statewide Communities Development Authority ("Authority") is a joint exercise of powers authority formed to assist local governments and non-profits with their financing needs. The City is a member of the Authority. It was the Authority that issued the Property Tax Securitization Bonds in December 2009 that enabled participating cities to receive the property taxes borrowed this fiscal year by the State of California well ahead of the state-promised repayment date.

The Authority is assisting American Baptist Homes of the West ("American Baptist") with a debt issuance in an amount not to exceed \$25 million. American Baptist owns and/or manages 30 affordable housing retirement communities in California. Nationwide, they serve over 5,000 residents in 40 communities. Among the American Baptist properties is Valle Verde located at 900 Calle de los Amigos in Santa Barbara.

According to information contained in their application, the funds will be used by the Authority to finance the cost of acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of the Valle Verde facility.

Under federal and state law, the governing body of any local entity within which bond proceeds are to be spent must: (1) conduct a public hearing and (2) approve the issuance of the debt. Therefore, because the new bond financing will benefit the Valle Verde property, which is located within the City of Santa Barbara, the City Council must

hold a public hearing and adopt a resolution approving the debt issuance. Council has held numerous such TEFRA (Tax Equity and Fiscal Responsibility Act) hearings.

It is important to understand that the City is in no way associated with the American Baptist Homes debt issuance and is not obligated, either legally or morally, to make debt service payments on these bonds. In addition, holding a public hearing and adopting a resolution in no way makes the City a party to the debt issuance or impacts the City debt ratios or credit rating. Federal tax laws governing these types of hearings recognizes that non-profit agencies typically do not have the facilities to conduct their own public hearings; therefore, local jurisdictions are allowed to use their meeting facilities and public hearing process in order to hold hearings for the benefit of the issuing non-profit entity.

Staff recommends the City hold the public hearing and adopt the resolution approving the issuance of bonds by the Authority.

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office