



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 12, 2012

TO: Mayor and Councilmembers

FROM: Housing and Human Services Division, Community Development Department

SUBJECT: TEFRA Hearing For Housing Authority Bond Issuance

RECOMMENDATION: That Council:

- A. Hold a public hearing with respect to the proposed issuance by the Housing Authority of the City of Santa Barbara ("Housing Authority") of debt obligations in an amount of approximately \$23,000,000 ("Bonds"); and
- B. Adopt, by reading of title only, A Resolution of The Council of the City of Santa Barbara Approving the Incurring of Tax Exempt Obligations by the Housing Authority of the City of Santa Barbara for the Purpose of Providing Financing for the Acquisition and Rehabilitation of SHIFCO and Villa La Cumbre Senior Rental Housing Facilities.

DISCUSSION:

Project

The Housing Authority owns the following affordable residential rental facilities located in the City of Santa Barbara (Project):

1. A 107-unit senior apartment complex located at 401-419 Santa Fe Place, 1433-1443 La Vista Del Oceano, and 1420, 1422, 1424, 1426, 1428 and 1430 Cliff Drive commonly known as SHIFCO, and
2. A 60-unit senior apartment complex located at 521 North La Cumbre Road commonly known as Villa La Cumbre.

The Project is and will continue to be rented to persons and families of low or very low income as required by the Health and Safety Code as it pertains to the operations of housing authorities and the Internal Revenue Code of 1986, as amended.

Proposed Use of Tax Exempt Revenue Bonds

The proceeds of the Bonds will be used to develop new affordable rental housing and/or rehabilitate other affordable rental housing projects it owns. A portion of the Bonds will also pay for certain expenses incurred in connection with the issuance of the Bonds

The Redevelopment Agency provided a loan of \$886,700 in Redevelopment Agency Housing Set Aside funds to the Villa La Cumbre project in April 2000. At this time, there has been no request that this loan be subordinated to the new financing.

TEFRA Hearing

The City is not liable for the bond issue and the City is not in any way put at risk. Because the Project is located in the City of Santa Barbara, the City is considered the host jurisdiction and the Tax and Equity Fiscal Responsibility Act of 1982 (TEFRA) mandates that the applicable elected representative body (City Council) approve the bond issue after holding a public hearing on the subject. Through the public hearing process, the public is afforded the opportunity to be heard on all matters relative to the location, operation, and financing of the Project. After consideration of the comments, staff recommends that Council adopt a resolution authorizing the bond issue.

ATTACHMENT(S): 1. TEFRA Hearing Public Notice
2. Housing Authority Resolution

PREPARED BY: Sue Gray, Administrative Services Manager/SK

SUBMITTED BY: Paul Casey, Assistant City Administrator

APPROVED BY: City Administrator's Office

**SANTA BARBARA NEWS PRESS
Proof of Publication
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**Superior Court of
the State of California
In and for The County of Santa Barbara**

Envelope No. 44111

In the Matter of: Notice of Public Hearing

The undersigned, being the principal clerk of the printer of the Santa Barbara News Press, a newspaper of general circulation, printed and published daily in the City of Santa Barbara, County of Santa Barbara, California and which newspaper has been adjudged a newspaper of general circulation by the Superior Court in the County of Santa Barbara, State of California, Adjudication Number 47171; and that affiant is the principal clerk of said Santa Barbara News Press. That the printed notice hereto annexed was published in the SANTA BARBARA NEWS-PRESS, in the issues of the following named dates

MAY 24 / 2012

all in the year 2012 I hereby certify (or declare) under penalty of perjury that that foregoing is true and correct.

Executed on this 24th of MAY 2012 at Santa Barbara, CA.



Signature

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on June 12, 2012, a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986 will be held by the City Council of the City of Santa Barbara (the "City") with respect to the proposed issuance by the Housing Authority of the City of Santa Barbara (the "Authority") of debt obligations (which may be in the form of a loan evidenced by a note or tax-exempt revenue bonds, and referred to in this Notice as the "Bonds") in one or more series in an aggregate amount of approximately \$23,000,000. The proceeds of the Bonds will be used to: (1) finance the acquisition and rehabilitation of a 107 unit senior rental housing facility located at 401-419 Sante Fe Place, 1433-1443 La Vista Del Oceano and 1420, 1422, 1424, 1426, 1428 and 1430 Cliff Drive, all in the City and commonly known collectively as SHIFCO; (2) finance the acquisition and rehabilitation of a 60 unit senior rental housing facility located at 521 N. La Cumbre Road in the City and commonly known as Villa La Cumbre; and (3) pay certain expenses incurred in connection with the issuance of the Bonds. The facilities to be financed are to be owned by a California limited partnership (the "Borrower") to be formed by the Authority, and the facilities will be operated initially by the Authority or another entity selected by the Borrower. All or a portion of the rental units in the facilities will be rented to persons and families of low or very low income.

The Bonds and the obligation to pay principal of and interest thereon and any redemption premium with respect thereto will not constitute an indebtedness or an obligation of the Authority, the City of Santa Barbara, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation, or a charge against the general credit or taxing powers of any of them, but will be payable solely from certain revenues duly pledged therefor and generally representing amounts paid by the Borrower.

The hearing will commence at 2:00 p.m. or as soon thereafter as the matter can be heard, and will be held in the City Council Chambers, located at 735 Anacapa Street, Santa Barbara, California. Interested persons wishing to express their views on the issuance of the Bonds or on the nature and location of the facilities proposed to be financed may attend the public hearing or, prior to the time of the hearing, submit written comments.

Additional information concerning the facilities to be financed may be obtained from Bob Peirson, Director of Finance of the Authority, telephone number (805) 897-1058; and any written comments should be sent prior to the public hearing to the City Clerk of the City of Santa Barbara, at 735 Anacapa Street, Santa Barbara, California 93101.

MAY 24 / 12 -- 44111

RESOLUTION NO. _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA SETTING FORTH THE AUTHORITY'S OFFICIAL INTENT TO INCUR A TAX-EXEMPT OBLIGATION IN ORDER TO FINANCE THE ACQUISITION AND REHABILITATION OF SHIFCO AND VILLA LA CUMBRE, AND AUTHORIZING RELATED ACTIONS

WHEREAS, the Housing Authority of the City of Santa Barbara (the "Authority") is authorized by Chapter 1 (commencing with Section 34200) of Part 2 of Division 24 of the Health and Safety Code of the State of California, as amended (the "Act") to incur indebtedness and to make loans for the purpose of financing the acquisition and rehabilitation of multifamily rental housing facilities located within the area of operation of the Authority; and

WHEREAS, the Authority is the fee title owner of a 107 unit senior apartment complex located at 401-419 Santa Fe Place, 1433-1443 La Vista Del Oceano and 1420, 1422, 1424, 1426, 1428 and 1430 Cliff Drive, all in the City of Santa Barbara (the "City") commonly known collectively as SHIFCO, and a 60 unit senior apartment complex located at 521 No. La Cumbre Road in the City commonly known as Villa La Cumbre (collectively, the "Projects"); and

WHEREAS, on April 4, 2012, the Members of the Authority adopted Resolution No. 2482, pursuant to which the Authority expressed its intent to enter into agreements necessary to sell, for the purpose of recapitalizing and rehabilitating the Projects multifamily housing revenue bonds or otherwise incur indebtedness (referred to in this Resolution as the "Bonds") and to lend the proceeds of the Bonds to a limited partnership to be established by the Authority (the "Borrower") that will acquire and rehabilitate the Projects; and

WHEREAS, the Authority, in the course of assisting the Borrower in financing the Projects, expects that the Borrower, once it is formed, may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Projects prior to the date of issuance of the Bonds; and

WHEREAS, Section 1.150-2 of the United States Treasury Regulations (the "Treasury Regulations") requires that the Authority declare its official intent to reimburse the Reimbursement Expenditures for the Projects with proceeds of a subsequent tax-exempt borrowing if the proceeds of the borrowing are to be used to finance the Reimbursement Expenditures; and

WHEREAS, the Authority wishes to declare its intention to authorize the issuance of the Bonds for the purpose of financing costs of the acquisition and rehabilitation by the Borrower of the Projects (including reimbursement of the Reimbursement Expenditures) upon such terms and conditions as may then be agreed upon by the Authority, the Borrower and the purchaser of the Bonds, in an aggregate principal amount not to exceed \$23,000,000; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986 limits the amount of multifamily housing bonds that may be issued in any calendar year by entities within a state (the "state ceiling") and authorizes the governor or the legislature of a state to provide the method of allocation within the state; and

WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the California Government Code governs the allocation of the state ceiling among governmental units in the State of California having the authority to issue private activity bonds; and

WHEREAS, Section 8869.85(b) of the California Government Code requires a local agency desiring an allocation of the state ceiling for a particular financing to file an application with the California Debt Limit Allocation Committee (“CDLAC”) for such an allocation, and CDLAC has certain policies that are to be satisfied in connection with any such allocation; and

WHEREAS, it is in the public interest, for the public benefit and in furtherance of the public purposes of the Authority that the Authority declares its official intent to issue the Bonds to finance the Projects and to authorize the Executive Director to take all actions necessary to apply to CDLAC for an allocation of tax-exempt bond authority for the Projects.

NOW, THEREFORE, BE IT RESOLVED by the Housing Authority of the City of Santa Barbara, as follows:

1. The Authority hereby finds and determines that it is necessary and desirable to provide financing for the acquisition and rehabilitation by the Borrower of the Projects (including reimbursement of the Reimbursement Expenditures) by the issuance and sale of the Bonds pursuant to the Act in the aggregate principal amount not to exceed \$23,000,000.

2. This Resolution is being adopted by the Authority for the purpose of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. In that regard, the Authority declares its official intent that the Authority use proceeds of the Bonds to reimburse the Reimbursement Expenditures. This action is taken expressly for the purpose of inducing the Borrower to undertake the Projects.

3. The Executive Director of the Authority is hereby authorized and directed to apply to CDLAC for an allocation of the state ceiling of private activity bonds for the Bonds to be issued by the Authority for the Projects in an amount not to exceed \$23,000,000, and to take any and all other actions as may be necessary or appropriate in connection with such application, including but not limited to the payment of fees, the posting of a performance deposit and the provision of certificates.

4. The law firm of Quint & Thimmig LLP is hereby designated as bond counsel to the Authority for the Bonds. The Executive Director is hereby authorized to execute an agreement with such firm for its services related to the Bonds in a form acceptable to the Executive Director; provided that any and all compensation to such firm is contingent upon the successful issuance of the Bonds.

5. Notwithstanding the foregoing, the issuance of the Bonds shall only occur on terms that are satisfactory to the Authority, and subject to the adoption by the Authority of a resolution approving the documents providing for the terms of the Bonds.

This Resolution shall take effect immediately upon its adoption.

THE FOREGOING RESOLUTION is approved and adopted by the Housing Authority of the City of Santa Barbara this ____ day of May, 2012.

MARY JOHNSTON, Chair
Housing Authority of the
City of Santa Barbara

ATTEST:

ROBERT G. PEARSON, Secretary
Housing Authority of the
City of Santa Barbara

STATE OF CALIFORNIA
COUNTY OF SANTA BARBARA
CITY OF SANTA BARBARA

I, Robert G. Pearson, Secretary of the Housing Authority of the City of Santa Barbara, do hereby certify that the foregoing Resolution No. ____ was passed and adopted at a regular meeting of the Housing Authority of the City of Santa Barbara held on the ____ day of May, 2012, by the following vote of the members thereof:

AYES: Authority Members:

NAYS: Authority Members:

ABSENT: Authority Members:

AND I FURTHER CERTIFY that the Chair of the Housing Authority of the City of Santa Barbara signed said Resolution on the ____ day of May, 2012.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal this ____ day of May, 2012.

SECRETARY OF THE HOUSING AUTHORITY
OF THE CITY OF SANTA BARBARA

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