



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: May 14, 2013

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Tax Equity And Fiscal Responsibility Act Hearing for Covenant Retirement Communities, Inc. (Samarkand) 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 Covenant Retirement Communities, Inc. 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.

The Authority is assisting Covenant Retirement Communities, Inc. (Covenant) with a debt issuance in an amount not to exceed \$40 million. Covenant owns and operates several continuing care retirement communities in California. Among the Covenant facilities, one is located at 2550 Treasure Drive in Santa Barbara.

Covenant Retirement Communities, Inc., an Illinois not for profit corporation, has requested that the Authority issue bonds to finance the renovation of their long term care facilities. One of these facilities is located in the City of Santa Barbara.

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 Covenant 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, most recently for the issuance of bonds by California Statewide Communities Development Authority for the benefit of the American Baptist Homes of the West (Valle Verde), which was approved by City Council on January 26, 2010.

It is important to understand that the City is in no way associated with the debt issuance and is not obligated to make debt service payments on the bonds. In addition, holding a public hearing and adopting a resolution in no way makes the City a party to the debt issuance. Federal laws governing these types of hearings recognized that non-profit agencies typically do not have the facilities to conduct their own public hearings; therefore, the local jurisdictions were allowed to loan their facilities and process to hold public hearings for the benefit of the issuing agency.

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