



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: February 11, 2014

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: TEFRA Hearing For Pilgrim Terrace Homes Debt Issuance

RECOMMENDATION:

That Council hold a public hearing and adopt, by reading of title only, A Resolution of the City Council of the City of Santa Barbara Approving the Issuance by the California Statewide Communities Development Authority of Multifamily Housing Revenue Bonds for the Pilgrim Terrace Homes.

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 by the State of California well ahead of the state-promised repayment date.

The Authority is assisting Pilgrim Terrace Rainer Communities with a debt issuance in an amount not to exceed \$11 million. Rainer Communities focuses exclusively on the preservation of at-risk and family affordable housing in California. Based on information provided by Rainer, in the past 10 years they have preserved and renovated 18 properties throughout the state; and their general partner has preserved over 5000 units of affordable housing in California since 2000.

The proceeds of the bonds will be used to finance the acquisition and rehabilitation of an 84-unit senior multifamily rental housing project located at 649 Pilgrim Terrace Drive in Santa Barbara. Pilgrim Terrace is an existing 84 unit apartment property for low-income seniors, which was originally developed using the Department of Housing and Urban Development loan program for non-profit entities. The property is nearing the end of its original regulatory term, at which time the property would be eligible to convert to market. The property currently is the recipient of a project-based Section 8 HAP

contract that covers all units at the property. The property consists of mostly one bedroom cottage/duplex style units with a few two bedroom units.

Under Internal Revenue Code, the governing body having jurisdiction over the area in which the facility financed by the bonds is located must: (1) conduct a public hearing and (2) approve the issuance of the debt. Therefore, because the new bond financing will benefit the Pilgrim Terrace Project, 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 debt issuance and is not obligated to make debt service payments on the bonds. The City Council must hold a public hearing in which interested persons are given an opportunity to be heard on all matters relative to the location, operation and financing of the project. Staff recommends the City Council 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

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA BARBARA APPROVING THE ISSUANCE BY THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY OF MULTIFAMILY HOUSING REVENUE BONDS FOR THE PILGRIM TERRACE HOMES

WHEREAS, the California Statewide Communities Development Authority (the “Authority”) is authorized pursuant to the provisions of California Government Code Section 6500 et seq. and the terms of an Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988 (the “Agreement”), among certain local agencies throughout the State of California, including the City of Santa Barbara (the “City”), to issue revenue bonds in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code for the purpose of financing multifamily rental housing projects; and

WHEREAS, Pilgrim Terrace Affordable, LP, a California limited partnership, or a limited liability company or limited partnership related to or formed by Reiner Communities, has requested that the Authority adopt a plan of financing providing for the issuance of multifamily housing revenue bonds (the “Bonds”) in one or more series issued from time to time, including bonds issued to refund such revenue bonds in one or more series from time to time, and at no time to exceed \$11,000,000 in outstanding aggregate principal amount, to finance the acquisition and rehabilitation of a 84-unit senior multifamily rental housing project located at 649 Pilgrim Terrace Drive, Santa Barbara, California, generally known as Pilgrim Terrace Homes (the “Project”) and operated by The John Stewart Company; and

WHEREAS, the Bonds or a portion thereof will be “private activity bonds” for purposes of the Internal Revenue Code of 1986 (the “Code”); and

WHEREAS, pursuant to Section 147(f) of the Code, prior to their issuance, private activity bonds are required to be approved by the “applicable elected representative” of the governmental units on whose behalf such bonds are expected to be issued and by a governmental unit having jurisdiction over the entire area in which any facility financed by such bonds is to be located, after a public hearing held following reasonable public notice; and

WHEREAS, the members of this City Council (this “City Council”) are the applicable elected representatives of the City; and

WHEREAS, there has been published, at least 14 days prior to the date hereof, in a newspaper of general circulation within the City, a notice that a public hearing regarding the Bonds would be held on a date specified in such notice; and

WHEREAS, such public hearing was conducted on such date, at which time an opportunity was provided to interested parties to present arguments both for and against the issuance of the Bonds; and

WHEREAS, the Authority is also requesting that the City Council approve the issuance of any refunding bonds hereafter issued by the Authority for the purpose of refinancing the Bonds which financed the Project (the "Refunding Bonds"), but only in such cases where federal tax laws would not require additional consideration or approval by the City Council; and

WHEREAS, it is intended that this resolution shall constitute the approval of the issuance of the Bonds required by Section 147(f) of the Code and Section 9 of the Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SANTA BARBARA AS FOLLOWS:

Section 1. The above recitals are true and correct.

Section 2. The City Council hereby approves the issuance of the Bonds and the Refunding Bonds by the Authority. It is the purpose and intent of the City Council that this resolution constitute approval of the Bonds for the purposes of (a) Section 147(f) of the Code and (b) Section 9 of the Agreement.

Section 3. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents that they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution and the financing approved hereby.

Section 4. The City Clerk shall forward a certified copy of this Resolution and a copy of the affidavit of publication of the hearing notice to:

Justin Cooper, Esq.
Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, California 94105

Section 5. This resolution shall take effect immediately upon its passage.

ADOPTED by the City Council of the City of Santa Barbara at a regular meeting of
said Council held on the 11th day of February, 2014, by the following vote:

AYES:

NOES:

ABSENT:

Mayor

ATTEST:

City Clerk