



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 3, 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 this fiscal year by the State of California well ahead of the state-promised repayment date.

The Authority is assisting Pilgrim Terrace Affordable, LP, with a debt issuance in an amount not to exceed \$14 million. The City previously authorized the Authority to issue \$11,000,000 to finance the acquisition and rehabilitation of an 84-unit senior multifamily rental housing project located at 649 Pilgrim Terrace Drive in Santa Barbara. The additional \$3,000,000 is needed as a result of a change in their financing plan.

Pilgrim Terrace Affordable, LP was formed by Reiner Communities. According to information provided by Reiner, 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.

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