



CITY OF SANTA BARBARA

CITY COUNCIL AGENDA REPORT

AGENDA DATE: November 10, 2009

TO: Mayor and Councilmembers

FROM: Housing and Redevelopment Division, Community Development Department

SUBJECT: TEFRA Hearing For Mental Health Association's Purchase Of Facilities At 617 Garden Street

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 of Bonds by the California Municipal Finance Authority in an Amount not to Exceed \$2,000,000 for the Purpose of Financing the Acquisition of Facilities for the Mental Health Association in Santa Barbara County, and Certain Other Matters Relating Thereto.

DISCUSSION:

The Mental Health Association in Santa Barbara County (MHA) is nearing completion of its new mixed-use building at 617 Garden Street. The building is a complex structure that includes three separate condominiums:

- Condominium No. 1: 51 rental housing units, including 12 units for low income downtown workers, 38 units for very-low income MHA clients, and one manager's unit;
- Condominium No. 2: Office space of about 5,000 square feet for MHA and other nonprofits, plus Fellowship Club space of about 5,200 square feet for MHA clients; and
- Condominium No. 3: Office space of approximately 3,000 square feet under option to purchase by the City of Santa Barbara.

The building is substantially complete and operating under a temporary certificate of occupancy. Condominium No. 1 and Condominium No. 2 are occupied. Issuance of the final certification of occupancy is pending completion of waterproofing repair work in the subterranean parking garage caused by water intrusion. It is anticipated that the work will be complete and final certificate of occupancy issued in November 2009. As part of the permanent financing for MHA's commercial office space, MHA will be converting a loan with Santa Barbara Bank & Trust from taxable to tax-exempt (thereby enabling MHA

City Council Agenda Report

TEFRA Hearing For Mental Health Association's Purchase Of Facilities At 617 Garden Street

November 10, 2009

Page 2

to borrow additional principal). Whenever tax-exempt debt is to be issued, the federal Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) requires that, after holding a noticed public hearing, the bond issue be approved by the legislative body for the jurisdiction within which the facilities are located. Council has held numerous such TEFRA hearings, and no financial obligation on the part of the City or the Agency is implied or created.

Council held a TEFRA hearing for the MHA commercial financing on October 28, 2008. However, federal tax regulations require that the public hearing occur no earlier than one year before the issuance of the bonds. Given the unforeseen delays in completing the project, a new public hearing is required.

The California Municipal Finance Authority would be the issuer of the tax-exempt bonds, and its attorney has prepared a resolution for Council adoption, which has been reviewed by the City Attorney. Public notice of the TEFRA hearing has been published as required by law. Other than holding the TEFRA hearing and granting approval, the City would play no role in the issuance of the bonds.

The City and its Redevelopment Agency have provided strong support to the project over the years – including \$5.46 million in loan and grant funds, community priority designation and transfer of an Agency surface parking lot. Staff recommends that Council hold the TEFRA hearing and approve the bond issuance by adopting the resolution.

PREPARED BY: Brian Bosse, Housing and Redevelopment Manager/ SK

SUBMITTED BY: Paul Casey, Community Development Director

APPROVED BY: City Administrator's Office