



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: November 10, 2015

TO: Mayor and Councilmembers

FROM: Administration, Housing and Human Services Division, Community Development Department

SUBJECT: TEFRA (Tax Equity And Fiscal Responsibility Act) Hearing For 510 N. Salsipuedes (Jardin De Las Rosas Apartments) 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 of revenue bonds by the California Municipal Finance Authority in an aggregate principal amount not to exceed \$15,000,000 for the purpose of financing the acquisition, construction, improvement, and equipping of a 40-unit multifamily rental housing facility and certain other matters relating thereto.

DISCUSSION:

Peoples' Self-Help Housing Corporation (PSHHC) acquired the Property located at 510 N. Salsipuedes with financial assistance from the City's former Redevelopment Agency with funds from the Housing Setaside in the form of a \$2,000,000 acquisition loan. PSHHC proposes to build thirty-nine (39) rental units for extremely low-, very low-, and low-income households plus one (1) manager's unit for a total of forty (40) units on the Property ("Project").

In 2013, the City provided a \$900,000 HOME loan for pre-development and construction costs. PSHHC attempted to secure additional financing for the Project through 9% Low Income Housing Tax Credits but has been unsuccessful in two competitive applications. PSHHC now intends to borrow funds through a tax-exempt bond financing issued by the California Municipal Finance Authority. Additionally, PSHHC will apply for non-competitive 4% housing tax credits.

The PSHHC is requesting that the California Municipal Finance Authority serve as the municipal issuer of revenue bonds in an aggregate principal amount not to exceed \$15,000,000. The proceeds of the bonds will be used, in conjunction with City financing already provided and non-competitive 4% tax credits, to enable Jardin De Las Rosas, L.P.

(the “Borrower”), to finance the construction of the 40-unit affordable multifamily rental housing facility located within the City of Santa Barbara.

Under federal and state law, in order for all or a portion of the bonds to qualify as tax-exempt, 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 financing will benefit the 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.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the “Foundation”), acts as the Board of Directors for the California Municipal Finance Authority (CMFA). Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities such as the City and, in addition, donates a portion of the issuance fees for the support of local charities. With respect to the City of Santa Barbara, it is expected that 25% of the issuance fee, estimated at \$9,000, will be granted by the CMFA to the general fund of the City. Such a grant may be used for any lawful purpose of the City. The Borrower will also receive a 25% reduction in issuance fees.

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 recognize that non-profit agencies typically do not have the facilities to conduct their own public hearings; therefore, the local jurisdictions are allowed to loan their facilities and process to hold public hearings for the benefit of the issuing agency.

Staff recommends that the City hold the public hearing and adopt the resolution approving the issuance of bonds by the California Municipal Finance Authority.

PREPARED BY: David Rowell/Housing Project Planner/SG/DR

SUBMITTED BY: George R. Buell, Community Development Director

APPROVED BY: City Administrator’s Office