



Legislation Details (With Text)

File #: 18-544 **Version:** 1 **Name:**

Type: Public Hearing Item **Status:** Passed

File created: 10/11/2018 **In control:** City Council/Public Finance and Economic Development Authority/Parking Authority

On agenda: 11/19/2018 **Final action:** 11/19/2018

Title: SUBJECT: Public Hearing - Tax Equity and Fiscal Responsibility Act (TEFRA) to Consider the Issuance of Tax Exempt Bonds by the California Statewide Communities Development Authority in an Aggregate Principal Amount Not to Exceed \$12,000,000 for the Purpose of Financing or Refinancing the Acquisition, Construction, Improvement and Equipping of the Gateway Terrace II Project, Located at 13th and K Streets (APN 031-323-002)

REPORT IN BRIEF

Requests the City Council to conduct a TEFRA Public Hearing and consider adopting a resolution approving the issuance of bonds by the California Statewide Communities Development Authority in an aggregate amount not to exceed \$12,000,000 on behalf of the Merced Gateway Investors II, L.P. for the purpose of financing or refinancing the acquisition, construction, improvement and equipping of the Gateway Terrace II Project. The City will not have any financial or legal obligations for the tax exempt status of the bonds, the debt service on the bonds or for any other matter related to the proposed bonds.

RECOMMENDATION

City Council - Adopt a motion:

A. Adopting Resolution 2018-74, a Resolution of the City Council of the City of Merced, California, approving the issuance by the California Statewide Communities Development Authority of Multifamily Housing Revenue Bonds for the Gateway Terrace II Apartments in an aggregate principal amount not to exceed \$12,000,000; and,

B. Authorizing the City Manager or Assistant City Manager to execute all necessary documents.

Sponsors: Development Services Department, Mark Hamilton

Indexes:

Code sections:

Attachments: 1. Resolution 2018-74.pdf, 2. Notice of Public Hearing, 3. CSCDA - Application, 4. Letter from CVCAH, 5. Presentation

Date	Ver.	Action By	Action	Result
11/19/2018	1	City Council/Public Finance and Economic Development Authority/Parking Authority	approved	Pass

Report Prepared by: Mark E. Hamilton, Housing Program Supervisor, Housing Division, Development Services Department

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- B. Authorizing the City Manager or Assistant City Manager to execute all necessary documents.

ALTERNATIVES

1. Approve as recommended by staff; or,
2. Approve, subject to other than recommended by staff (identify specific findings and/or conditions amended to be addressed in City Council motion); or,
3. Deny; or,
4. Refer to City Staff for reconsideration of specific items to be addressed in City Council motion); or,
5. Continue to a future City Council meeting (date and time to be specified in City Council motion).

AUTHORITY

City of Merced Charter, Section 200; Section 147(f) of the Internal Revenue Code of 1986; and, California Government Code Section 6500, et. seq. (Joint Powers Agreements).

CITY COUNCIL PRIORITIES

As provided for in the 2018-19 Adopted Budget and the 2018 HUD Annual Plan.

DISCUSSION

Merced Gateway Investors II, LP, a limited partnership established by the Central Valley Coalition for Affordable Housing (Coalition), submitted an application to the California Statewide Communities Development Authority (CSCDA) for tax exempt funds to construct a 50-unit multi-family housing development, "Gateway Terrace II." The project will be located on property at 13th and K Streets (APN 031-323-002).

CSCDA is a California Joint Powers Authority, organized and existing under the laws of the State of California (specifically, California Government Code Section 6500, et. seq), and is sponsored by the League of California Cities and the California State Association of Counties. The sole purpose of the CSCDA is to finance projects that promote economic development.

To finance the project, Merced Gateway Investors II, LP, intends to use no more than \$12 million of tax-exempt bonds to finance or refinance the construction, improvements, and equipping of the facility. CSCDA will be the issuer of the bonds. The City is not under any obligation to repay the bond indebtedness nor is there any liability in acting as facilitator of the issuance of the bonds. If the TEFRA resolution is approved, the Merced Gateway Investors II, LP have until December 24, 2018, to submit the adopted resolution.

In order for CSCDA to issue the bonds, the City must: (1) conduct a public hearing allowing members of the public to comment on the proposed project and the use of tax-exempt bonds; and, (2) approve of the CSCDA's issuance of bonds on behalf of the proposed financing. Although CSCDA (not the City) will be the issuer of the tax-exempt revenue bonds, financing cannot proceed without the City being a member of the CSCDA, and, as the governmental entity having jurisdiction over the site, the City must pass a resolution (Attachment 1) in favor of the issuance of indebtedness. The City of Merced is a member of the CSCDA.

A TEFRA Hearing and Resolution for Gateway Terrace II project was previously approved by the City Council in August 2017. This approval was good for one year and expired prior to the California Debt Limit Allocation (CDLAC) in September 2018. The Coalition previously pulled the first application from CDLAC due to the tax credit equity uncertainty that occurred due to tax reform. The second resolution was pulled because the legislation had slated to end the bond program, which is a necessary component of the project's fiscal pro-forma.

This is the third TEFRA Hearing for the Gateway Terrace II Apartment Project. TEFRA resolutions are valid for one year and when there is any instability in the tax-credit or bond industry, developers will allow the resolutions to expire. Merced Gateway Investors II, LP, waited until the bond and tax-credit markets stabilized and the project was fully financed.

Under California Government Code section 6500, et.seq., cities and counties are authorized to form by agreement, a governmental entity that combines the powers of such entities to perform certain governmental functions specifically outlined in the Agreement. With respect to the CSCDA, more than 500 California cities, counties, and special districts have entered into and executed the Agreement to become a member of the CSCDA, including the City of Merced. CSCDA is authorized to assist in the financing of multifamily housing projects.

The City of Merced's past history with CSCDA includes the issuance of a \$10 million bond to Merced Gateway Investors, LP for the Gateway Terrace multi-family apartments currently on 4th Street and Leshler Drive in 2012; the issuance of a \$10 million bond to Merced Pacific Associates for the Woodbridge multi-family apartments on Hwy. 59 near Olive Avenue in 2009; and issuance of a \$157 million bond on behalf of Catholic Healthcare West in 2007.

IMPACT ON CITY RESOURCES

There is no fiscal impact to the City as a result of this action. The City will not have any financial or legal obligations for the tax exempt status of the bonds, the debt service on the bonds or for any other matter related to the proposed bonds.

ATTACHMENTS

1. Resolution 2018-74
2. Notice of Public Hearing

3. CSCDA - Application
4. Letter from CVCAH
5. Presentation