



Legislation Text

File #: 17-367, **Version:** 1

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SUBJECT: Public Hearing - Tax Equity and Fiscal Responsibility Act (TEFRA) Regarding the Facilitation of Bond Sales by the Statewide Communities Development Authority for the Gateway Terrace II Project

REPORT IN BRIEF

Conduct a Public Hearing regarding the proposed issuance of revenue bonds to Merced Gateway Investors II, LP for the construction of a 50-Unit low income multi-family apartment complex at 13th and K Streets in Merced.

RECOMMENDATION

City Council - Adopt a motion:

A. Adopting **Resolution 2017- 40** 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; and,

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

Article II, Section 200 of the Merced Municipal Charter, Tax Equity and Fiscal Responsibility Act and Internal Revenue Code of 1986, as amended, and California Government Code Section 6500, amended.

CITY COUNCIL PRIORITIES

As provided for in the 2017-18 Adopted Budget and the 2017 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.

To finance the project, Merced Gateway Investors II, LP, intends to use no more than \$8 million of tax-exempt bonds to finance construction, improvements, and completion of the facility. The California Statewide Community Development Authority (the Authority) 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 this public hearing. If the TEFRA resolution is approved, Merced Gateway Investors II, LP have until October 7, 2017, to submit the adopted resolution.

A TEFRA Hearing and Resolution for Gateway Terrace II project was originally approved by the City Council in August 2016. However, due to instability in the Tax Credit Market in the fall of 2016 and a sharp rise in construction costs, the project was not able to move forward as anticipated. Since the spring of 2017, the Tax Credit market has stabilized and the developer was able to fill the fiscal gap. With these two items being addressed, the developer would like to move forward with having the bonds issued for the project.

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

This is the first TEFRA Hearing for the Gateway Terrace II Apartment Project. TEFRA resolutions are valid for one year. Due to the annual expiration, Merced Gateway Investors II, LP, waited to have the City conduct a TEFRA hearing until the project is able to be fully financed. With Council's approval of the City Loan Commitment Agreement, which is also on this Council agenda as a separate item, the project has secured the financial component allowing Gateway Terrace II Apartments to move forward.

California Communities - The Authority: The Authority is a California joint exercise of 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.

Under the California Government Code, 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 Authority, more than 500 California cities, counties, and special districts have entered into and executed the Agreement to become a member of the Authority, including the City of Merced. The Authority is authorized to assist in the financing of 501(c)(3) nonprofit projects.

The City of Merced's past history with the Authority 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 Leshner 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

The action will not impact the City's General Fund.

ATTACHMENTS

1. Resolution for Gateway Terrace II TEFRA
2. Notice of Public Hearing
3. CSCDA - Application
4. Letter from CVCAH