



Legislation Text

File #: 19-674, **Version:** 1

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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 2019-77**, 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 the 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 2019-20 Adopted Budget and the 2019 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.

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 and November 2018. These approvals are good for one year and both have now expired. 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.

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 Leshner Drive in 2012; the issuance of a \$10 million bond to Merced Pacific Associates for the Woodbridge multi-family apartments on Highway 59 near Olive Avenue in 2009; and issuance of a \$157 million bond on behalf of Catholic Healthcare West in 2007. The City has also been requested to assist in the issuance of bonds for the Childs Ave. and B St. Project. That will be placed on a future agenda for consideration.

An Interdepartmental Agreement and CHODO HOME Grant Agreement will be scheduled for future Council consideration in January 2020. An Interdepartmental Agreement is required to cover the off-site improvement costs of approximately \$250,000 to be funded by the Engineering Department and a previously approved capital improvement project for an upgraded sewer line.

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 2019-77