



DATE: April 21, 2020

CATEGORY: Consent

DEPT.: Community Development

TITLE: **Multi-Family Housing Revenue Bonds – 950 El Camino Real Apartments**

RECOMMENDATION

Adopt a Resolution Approving the Issuance of Revenue Bonds by the California Municipal Finance Authority in an Aggregate Principal Amount Not to Exceed \$28,000,000 to Finance the Development of a 71-Unit Apartment Project for Persons and Households of Low-Income, for the Benefit of 950 El Camino Real, LP, or Another Entity Created by Palo Alto Housing Corporation, and Certain Other Matters Relating Thereto to Benefit Notice of Public Hearing, to be read in title only, further reading waived (Attachment 1 to the Council report).

BACKGROUND AND ANALYSIS

The City Council is being asked to adopt the resolution in Attachment 1 approving the issuance of multi-family housing revenue bonds from the California Municipal Finance Authority (CMFA). The City bears no financial or legal liability for these bonds. The bonds would be used along with the 4 percent tax credits to finance the acquisition, construction, improvement, and equipping of 950 El Camino Apartments, a 71-unit multi-family affordable rental housing project to be located at 950 West El Camino Real, Mountain View, California, that will serve families earning at or below 60 percent of area median income. The City Council reviewed and approved the planning entitlements and the City funding for this development on May 15, 2019.

Prior Action

As is typical with tax credit projects, Palo Alto Housing has formed a limited partnership, 950 El Camino Real, LP, to apply for the bonds and tax credit financing and oversee construction of the project; 950 El Camino Real, LP, will apply for the housing bonds, which will be combined with the 4 percent tax credits that were issued in October 2019 by the California Tax Credit Allocation Committee to finance the project. The CMFA noncompetitively issues developers bond financing based on project

eligibility, funding criteria, and compliance with procedural requirements such as the City's bond hearing and resolution adoption. The issuance of bonds and 4 percent tax credit financing would enable construction to start in spring 2020.

California Municipal Finance Authority Housing Bond Program

The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural, and community development through the financing of economic development and charitable activities throughout California. To date, over 280 municipalities, including the City of Mountain View, have become members of CMFA.

The CMFA assists local governments, nonprofit organizations, and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

The bonds may be used to finance or refinance the acquisition and rehabilitation of an existing project or for the construction of a new project, provided the developer agrees to set aside all, or a portion, of the units in a project for very low- and low-income households. A developer can finance a project at a lower interest rate than available through conventional financing because the interest paid to bondholders is exempt from Federal (and, in some cases, State) income taxes.

Tax and Equity Fiscal Responsibility Act Hearing Overview

In order for CMFA to issue the bonds on a tax-exempt basis, the Tax and Equity Fiscal Responsibility Act (TEFRA) requires the local jurisdiction where the development is located to first conduct a public hearing to provide the public an opportunity to speak for or against financing the project with the bonds. Following the public hearing, the local elected body is asked to adopt a resolution approving CMFA's issuance of the bonds.

On April 30, 2019, the City Council conducted a TEFRA hearing where the City Council adopted a resolution approving the issuance of the revenue bonds. However, the Internal Revenue Code requires that the bonds must be issued within one year of the approval. Because the financing for this development, including the issuance of bonds, is anticipated to be completed in early May 2020, a second public hearing will need to be conducted with the City Council adopting a resolution approving the issuance of the bonds.

The hearing is an opportunity for all interested persons to speak or submit written comments regarding the proposal to issue the bonds. There is no obligation on the part of City staff to respond to any specific comments on the bond issue or the project. City Council adoption of this resolution following the public hearing does not obligate the Council to approve any additional funding or entitlement or development permits for the project. However, this hearing and adoption of the resolution are necessary for Palo Alto Housing to proceed in securing bond financing and 4 percent tax credits for the project.

On April 14, 2020, Community Development Department staff conducted a telephonic conference call public hearing to provide the public with an opportunity to speak for or against the bond financing for the development. The public hearing was published in a newspaper of general circulation at least seven days prior to the meeting with the conference call phone number and assigned password. Staff conducted the hearing and did not receive any public comments. The meeting minutes from the public hearing (Attachment 2) are attached for review by the City Council.

FISCAL IMPACT

Since the tax-exempt bonds issued by CMFA will be secured solely by the Project's revenues, the City has no fiscal exposure or liability because of the bond issuance. The Board of Directors of the California Foundation for Stronger Communities, a California nonprofit public benefit corporation (the Foundation), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City of Mountain View, it is expected that a portion of the issuance fee attributable to the City will be granted by the CMFA to the General Fund of the City. Such grant may be used for any lawful purpose of the City. The City has typically deposited the funds into the Housing Revenue Fund. The Borrower will be the beneficiary of the CMFA's charitable donation through a 25 percent reduction in issuance fees.

ALTERNATIVES

1. Do not approve issuance of the multiple-family housing bonds.
2. Provide other direction to staff.

PUBLIC NOTICING

A public notice was published in the *San Jose Post Record*. The meeting agenda and Council report have been posted on the City's web page and announced on Channel 26 and cable television.

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Attachments: 1. Resolution Authorizing Issuance of Multi-Family Bonds
2. Public Hearing Minutes