



DATE: March 23, 2021

CATEGORY: Consent

DEPT.: Finance and Administrative Services

TITLE: **Execution of a Tax-Exempt Loan by the California Municipal Finance Authority for the Benefit of Saint Francis High School**

RECOMMENDATION

Adopt a Resolution of the City Council of the City of Mountain View Approving the Execution of a Tax-Exempt Loan or Loans by the California Municipal Finance Authority for the Benefit of Saint Francis High School, in a Maximum Aggregate Principal Amount of \$40,000,000 in One or More Series, for the Purpose of Financing and Refinancing the Acquisition, Construction, Expansion, Renovation, Retrofitting, Equipping, and Improvement of Various Educational and Administrative Facilities Owned, Occupied, and Operated by Saint Francis High School of Mountain View, California, Within the City, and Certain Other Matters Relating Thereto, to be read in title only, further reading waived (Attachment 1 to the Council report).

BACKGROUND

Saint Francis High School (the "School") is a private school in Mountain View seeking to execute a tax-exempt loan for the construction, renovation, improvement, and refinancing of existing facilities on its campus. The Internal Revenue Code of 1986 (the "Code") Section 147(f) and the Tax and Equity Fiscal Responsibility Act ("TEFRA") require a public hearing and approval by the governmental unit having jurisdiction over the facilities located in that jurisdiction. Consequently, the School approached the City to conduct a public hearing and is requesting approval of the attached resolution. Approval of this action will not constitute a debt or obligation of the City, nor will it have any responsibility or liability with respect to repayment or administration of the debt.

California Municipal Finance Authority Housing Bond Program

The California Municipal Finance Authority (the "Authority") 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 320 municipalities, including the City of Mountain View, have become members of the Authority.

The Authority was formed to assist 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 Authority's representatives and its Board of Directors have considerable experience in bond financings.

ANALYSIS

The City Council is being asked to adopt a resolution to allow the School to execute a tax-exempt loan through the Authority. As stated in the loan documentation, the Authority will participate in the execution of one or more series of tax-exempt loans in an aggregate principal amount not to exceed \$40,000,000 (the "Loan") to be issued as Qualified 501(c)(3) Bonds, as defined in Section 145 of the Code, as amended, pursuant to a plan of financing and refinancing to: (i) finance and refinance all or a portion of the costs of the design, acquisition, construction, expansion, renovation, retrofitting, equipping, and improvement of certain educational facilities, including related administrative facilities, site preparation and improvements, and parking, located in the City on the School's campus, the main address of which is 1885 Miramonte Avenue, Mountain View, California, 94040, including, but not limited to: (a) demolition of certain existing, older buildings located on the School's campus to make way for the construction of new facilities; (b) the design, development, construction, equipping, and improvement of an innovation center to include science labs, pod-style math and science classrooms, and facilities for the development of an on-site robotics program; and (c) the design, development, construction, equipping, and improvement of a new dining commons building (collectively, the "Project"); and (ii) pay costs of issuance and certain interest with respect to the Loan.

The Project is subject to the permitting review process of the City and, as part of this process, all tenants and property owners within a 750' radius of the School site were mailed public hearing notices. The School has held neighborhood meetings to inform the public of the Project plans and scope of work.

Tax and Equity Fiscal Responsibility Act Hearing Overview

In order for the Authority to issue the loan on a tax-exempt basis, the Internal Revenue Code, the California Government Code, and the TEFRA require the local elected body to first conduct a public hearing to provide the public an opportunity to speak for or against financing the project with the loan. Notice of such hearing must be published in a

newspaper of general circulation at least seven days prior to the date of the public hearing. Following the public hearing, the local elected body is asked to adopt a resolution approving the Authority's issuance of the loan.

This hearing is an opportunity for all interested persons to speak or submit written comments concerning the proposal to issue the loan. There is no obligation on the part of the City Council to respond to any specific comments on the bond issue or the project. Adoption of this resolution does not obligate the City 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 the School to proceed in securing tax-exempt financing for the project.

On March 12, 2021, the public hearing was conducted by City staff, and there were no members of the public that commented at the hearing, nor were any comments received by e-mail.

FISCAL IMPACT

The Board of Directors of the California Foundation for Stronger Communities, a California nonprofit public benefit corporation (Foundation), acts as the Board of Directors for the Authority. Through its conduit issuance activities, the Authority 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 Authority to the General Fund of the City. Such grant may be used for any lawful purpose of the City. The borrower will be the beneficiary of the Authority's charitable donation through a 25 percent reduction in issuance fees.

The City will have no fiscal responsibility with respect to the repayment or administration of the proposed loan.

ALTERNATIVES

1. Do not approve issuance of the tax-exempt loan.
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 webpage.

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JT/6/CAM
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Attachment: 1. Resolution