



COUNCIL REPORT

DATE: December 12, 2023

CATEGORY: Consent

DEPT.: Housing

TITLE: **Multi-Family Housing Tax-Exempt Bond Financing for 1265 Montecito Avenue**

RECOMMENDATION

Adopt a Resolution of the City Council of the City of Mountain View Approving a Plan of Finance, Including the Issuance of Revenue Bonds by the California Municipal Finance Authority in an Aggregate Principal Amount Not to Exceed \$55,000,000 to Finance and Refinance a Qualified Residential Rental Project for the Benefit of Montecito, L.P., a California Limited Partnership, and Certain Other Matters Relating Thereto, to be read in title only, further reading waived (Attachment 1 to the Council report).

BACKGROUND

Charities Housing is a nonprofit corporation developing an 85-unit affordable housing rental project located at 1265 Montecito Avenue. The 100% affordable housing project will serve families earning at or below 60% of the area median income. On June 22, 2021, the City Council appropriated \$16 million in Housing Impact funds toward the project. At that time, the project budget indicated that the developer intended to apply for tax-exempt bonds financing and 4% low-income housing tax credits to finance the project. To receive the tax-exempt bond financing, the Tax Equity and Fiscal Responsibility Act (TEFRA) requires a public hearing, and the City Council must adopt a resolution approving the California Municipal Finance Authority (CMFA) issuance of tax-exempt bonds for the project.

California Municipal Finance Authority Housing Bond Program

The CMFA was created on January 1, 2004 pursuant to a Joint Exercise of Powers Agreement (JPA) to promote economic, cultural, and community development through the financing of economic development and charitable activities throughout California. To date, over 300 municipalities, including the City of Mountain View, have become members of the CMFA.

The CMFA 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 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. The CMFA representatives and its Board of Directors have considerable experience in bond financings. The CMFA noncompetitively issues bond financing based on a project’s eligibility, funding criteria, and compliance with procedural requirements, such as the City’s bond hearing and resolution adoption.

The bonds may be used to finance the construction of a new project or refinance the acquisition and rehabilitation of an existing 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. Obtaining financing through the bond program also allows a project to be eligible for low-income housing tax credits.

Tax and Equity Fiscal Responsibility Act Hearing Overview

In order for CMFA to issue the bonds on a tax-exempt basis, the TEFRA requires the local elected body or an authorized representative to first conduct a public hearing to provide the public an opportunity to speak for or against financing the project with the bonds. The entity holding the public hearing must be located within Mountain View. The bond issuance does not create a financial obligation for the City. Notice of the 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 CMFA’s issuance of the bonds.

The TEFRA hearings are routinely held for affordable housing projects as tax-exempt bond financing and low-income housing tax credits are key funding sources for nearly all affordable housing projects. The City last conducted a TEFRA hearing on November 1, 2022 for the La Avenida affordable housing project being developed by Eden Housing, which allowed CMFA to issue tax-exempt bonds for the project.

ANALYSIS

On November 16, 2023, the CMFA conducted a public hearing by telephonic conference call to provide the public with an opportunity to speak for or against the bond financing for the 1265 Montecito Avenue project. The public hearing notice was published in the Palo Alto *Daily Post* and *Mountain View Voice* seven days prior to the meeting with the conference call phone number and assigned password. CMFA staff conducted the hearing and did not receive any public comments.

The City Council is being asked to adopt a resolution (see Attachment 1) approving the issuance of tax-exempt bond financing by CMFA. As is typical with tax-credit projects, Charities Housing has formed a limited partnership, Montecito, L.P., a California limited partnership, to apply for the bonds and tax-credit financing and oversee construction of the project. If the bond financing is awarded, the tax credits will also be issued. The bonds and tax-credit financing would enable construction to start in early 2024.

FISCAL IMPACT

The bond financing issued by Charities Housing will be their sole responsibility.

Adoption of this resolution does not obligate Council to approve any additional funding or entitlement or development permits for the project; however, the November hearing and adoption of the resolution are necessary for Charities Housing to proceed in securing bond financing from CMFA as well as tax credits for the project. However, the CMFA shares a portion of the fees it receives for issuing the bonds with its JPA members' communities. It is expected that a portion of the issuance fee, estimated at approximately \$14,000, will be granted by the CMFA to the General Fund of the City. The funding may be used for any lawful purpose by the City. It is recommended that the funds be deposited into the City's Housing Fund consistent with past practices.

ALTERNATIVES

1. Do not approve the resolution allowing CMFA to issue the multi-family tax-exempt bonds to finance the 1265 Montecito Avenue project.
2. Provide other direction to staff.

PUBLIC NOTICING

The meeting agenda and Council report have been posted on the City's webpage and announced on Channel 26 and cable television.

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Attachment: 1. Resolution Authorizing Issuance of Multi-Family Bonds