



DATE: February 12, 2019

CATEGORY: Public Hearing

DEPT.: Community Development

TITLE: **Multi-Family Housing Revenue Bonds – Shorebreeze 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 \$30,000,000 to Finance a 62-Unit Affordable Multi-Family Rental Housing Facility Located at 460 North Shoreline Boulevard 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 bonds would be used along with the 4 percent low-income housing tax credit program to finance the demolition of 12 existing units and the construction of 62 new units at the Shorebreeze Apartments, an existing 120-unit, multi-family, affordable rental housing project located at 460 North Shoreline Boulevard, Mountain View, California, that will serve families earning at or below 60 percent of area median income. Overall, 50 new deed-restricted affordable units would be added to the Shorebreeze Apartments for a total of 170 affordable units. The City Council reviewed and unanimously approved the planning entitlements and the City funding for this development on January 30, 2018.

Prior Action

As is typical with tax credit projects, MidPen Housing Corporation has formed a limited partnership, MP Shorebreeze Associates, L.P., to apply for the bonds and tax credit financing and oversee construction of the project. MP Shorebreeze Associates, L.P., will apply for the housing bonds, which will be combined with the 4 percent tax credits that were issued in December 2018 by the California Tax Credit Allocation

Committee to finance the project. The CMFA non-competitively 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 City Council reviewed and unanimously approved the planning entitlements and the City funding for this development on January 30, 2018. The issuance of bonds and 4 percent tax credit financing would enable construction to start in spring 2019.

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 elected body to first conduct a public hearing to provide the public an opportunity to speak for or against financing the project with the bonds. On January 30, 2018, the City Council conducted a TEFRA hearing where the City Council unanimously 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. Since the financing for this development, including the issuance of bonds, is anticipated to be completed in March 2019, the City Council will need to conduct a second public hearing approving the issuance of the bonds.

Notice of such hearing must be published in a newspaper of general circulation at least 14 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.

This 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 the City Council to respond to any specific comments on the bond issue or the project. Adoption of this resolution 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 MidPen to proceed in securing bond financing and 4 percent tax credits for the project.

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, MP Shorebreeze Associates, L.P., 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. If the Council does not approve the issuance, the affordable housing project would not proceed.
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. A copy of this report was provided to MidPen Housing and CMFA.

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VG/2/CAM
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Attachment: 1. Resolution Authorizing Issuance of Multi-Family Bonds