



DATE: April 30, 2019

CATEGORY: Public Hearing

DEPT.: Community Development

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

RECOMMENDATION

1. Conduct a public hearing under the requirements of the Tax Equity and Fiscal Responsibility Act of 1983 and the Internal Revenue Code of 1986, as amended.
2. Adopt a Resolution Approving the Issuance of Tax-Exempt Bonds by the California Municipal Finance Authority in an Aggregate Principal Amount Not to Exceed \$35,000,000 for the Purpose of Financing the Acquisition, Construction, Improvement, and Equipping of a 71-Unit Multi-Family Rental Housing Facility for Persons and Households of Low Income, Located at 950 West El Camino Real in the City of Mountain View, California, 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 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 bears no financial or legal liability for these bonds.

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 issued by the California Tax Credit Allocation Committee (CTCAC) 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. If the bond financing is awarded, the 4 percent tax credits will be issued. The bonds and 4 percent tax credit financing would enable construction to start in 2019.

CMFA 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 300 municipalities, including the City of Mountain View, have become members of 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 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. If Palo Alto Housing obtains financing through the Bond Program, it would be eligible to receive the 4 percent tax credits needed to fully fund the project.

Tax and Equity Fiscal Responsibility Act (TEFRA) Hearing Overview

In order for CMFA to issue the bonds on a tax-exempt basis, the 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. 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 CMFA's issuance of the bonds.

This hearing is an opportunity for all interested persons to speak or submit written comments concerning 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 Palo Alto Housing to proceed in securing bond financing and 4 percent tax credits for the project.

FISCAL IMPACT

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, estimated to be \$15,000, will be granted by the CMFA to the General Fund of the City. Although such grants may be used for any lawful purpose by the City, the funds are usually deposited back into the housing fund used to finance the development. 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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Attachment: 1. Resolution Authorizing Issuance of Multi-Family Bonds