



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of February 12, 2019

**TO:** Members of the City Council

**SUBMITTED BY:** David Biggs, City Manager

**SUBJECT:** Willow Glen Apartments - Tax Equity and Fiscal Responsibility Act Hearing

**RECOMMENDED ACTION:** Staff recommends that the City Council:

1. Open, Conduct, and Close a public hearing, in accordance with the Tax Equity and Fiscal Responsibility Act (TEFRA), in consideration of the issuance of tax-exempt bond financing by the California Public Finance Authority to provide financing for the acquisition and rehabilitation of an 84-unit multifamily rental housing project located at 1231 Willow Ave, known as Willow Glen Apartments; and
2. Adopt the attached resolution authorizing the City to enter into the Joint Exercise of Powers Agreement to join the California Public Finance Authority ("CalPFA") as an additional member, and approving the issuance of bonds by the CalPFA in an amount not to exceed \$28,000,000, to provide financing to The Reliant Group, Inc. for the acquisition and rehabilitation of the Willow Glen Apartments.

**FISCAL IMPACT OF RECOMMENDATION:** There is no fiscal impact to the City. The Bonds will be issued by California Public Finance Authority (CalPFA), payable solely from revenues and receipts derived from a loan to be made by CalPFA to the Borrower with the Bond proceeds. The City bears no liability with respect to the issuance of the Bonds. Further, the City is not a party to any of the financing documents related to the Bond issuance and is not named in any of the disclosure documents describing the Bonds or the proposed financing. In addition, CalPFA has a community benefit program and will share 10% of the CalPFA annual fee it receives from the borrower with the City of Hercules for the life of the bond and this is estimated to be approximately \$1,000 per year which CalPFA will send to the City via a check with the City able to use this for community programs.

**DISCUSSION:**

The Reliant Group, Inc. (the “Borrower”) has requested that the California Public Finance Authority (“CalPFA”) serve as the issuer of tax-exempt multi-family housing revenue bonds in an aggregate principal amount not to exceed \$28,000,000 (the “Bonds”). The proceeds of the Bonds will be used for the purpose of CalPFA making a loan to the Borrower in order to finance the acquisition and rehabilitation of an 84-unit affordable multifamily housing rental project located at 1231 Willow Avenue, Hercules, California (the “Project”), which will be owned by The Reliant Group, Inc. and managed by Reliant Property Management.

The Project is an existing 84 unit apartment building for families and individuals that was constructed in 1988. The Project includes eight 2-story buildings and one community/leasing office on a 3.6 acre site. All 84 2-bedroom units will be income and rent restricted at or below 60% AMI for a minimum of 55 years. The Project will undergo a substantial interior and exterior renovation totaling more than \$35,000 per unit. Renovation will focus on curing all deferred maintenance, updating unit interiors, improving curb appeal, reducing operating and utility costs and ensuring the longevity of the asset. A summary of the proposed project is attached (Attachment 3).

In order for the Bonds to qualify as tax-exempt bonds, the City of Hercules (“City”) must conduct a public hearing (the “TEFRA Hearing”) providing the members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project. Action to adopt the attached resolution (Attachment 1) is solely for the purposes of satisfying the requirements of the Tax Equity and Fiscal Responsibility Act (“TEFRA”), the Internal Revenue Code and California Government Code Section 6500. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community, which has been completed through the published public hearing notice in the West County Times on January 22, 2019. Following the close of the TEFRA Hearing, an “applicable elected representative” of the governmental unit hosting the Project must provide its approval of the issuance of the Bonds for the financing of the Project. Action on the attached resolution carries out this part of the required process.

CalPFA is a political subdivision of the State of California established under the Joint Exercise of Powers Act for the purpose of issuing tax-exempt and taxable conduit bonds for public and private entities throughout California. CalPFA is empowered to promote economic, cultural, and community development opportunities that create temporary and permanent jobs, affordable housing, community infrastructure and improve the overall quality of life in local communities.

In order for CalPFA to issue the multifamily residential housing revenue bonds, the City must become a Member of the CalPFA as an Additional Member under Section 12 of the CalPFA Joint Exercise of Powers Agreement (“Agreement”) provided in Attachment 2. The Resolution provided in Attachment 1 also authorizes the City Manager or designee to execute the Agreement, which will give the CalPFA authority to issue the Bonds for the Project. Once becoming a member of CalPFA, CalPFA will provide the City with an annual payment of 10% of the Authority’s collected administrative fees related to the Project.

CalPFA is not permitted to issue bonds or notes for a project without first conducting a public (TEFRA) hearing and obtaining permission from the governing board of the jurisdiction in which the project is located, in this case the City Council of the City of Hercules.

### ***Execution of the Joint Exercise of Powers Agreement***

The Agreement must be executed by the city official designated in the Resolution. The Agreement provides that CalPFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and obligations of CalPFA do not constitute debts, liabilities or obligations of the members executing such agreement, including the City, if it joins the Authority.

The Bonds to be issued by CalPFA for the Project will be the sole responsibility of the Borrower, and the City will have no financial, legal, moral obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project. All financing documents with respect to the issuance of the Bonds will contain clear disclaimers that the Bonds are not obligations of the City or the State of California, but are to be paid for solely from funds provided by the Borrower.

There are no costs associated with membership in CalPFA and the City will in no way become exposed to any financial liability by reason of its membership in CalPFA. In addition, participation by the City in CalPFA will not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA hearing, adopting the required Resolution and executing the Agreement, no other participation or activity of the City or the City Council with respect to the issuance of the Bonds will be required.

The Agreement expressly provides that any member may withdraw from such agreement upon written notice to CalPFA. In the case of the proposed bond financing for the Borrower, the City following its execution of the Joint Exercise of Powers Agreement, could, at any time following the issuance of the Bonds, withdraw from the Authority. The City of Hercules is also a member of one other financing JPA, the California Statewide Communities Development Authority (CSCDA).

### **ATTACHMENTS:**

1. Resolution
2. CalPFA Joint Exercise of Powers Agreement
3. Summary of Willow Glen Project