




Agenda Item No: 7.a
Meeting Date: June 7, 2021

SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Community Development

Prepared by: Alicia Giudice,
Community Development Director
Lisa Goldfien, Asst. City Attorney

City Manager Approval: _____ 

TOPIC: "TEFRA" PUBLIC HEARING FOR TAX-EXEMPT FINANCING – 855 C STREET

SUBJECT: PUBLIC HEARING AND CONSIDERATION OF RESOLUTION APPROVING ISSUANCE OF REVENUE BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR THE PURPOSE OF PROVIDING FINANCING FOR A RESIDENTIAL RENTAL HOUSING PROJECT KNOWN AS CENTERTOWN APARTMENTS AT 855 C STREET, PURSUANT TO THE TAX AND EQUITY FISCAL RESPONSIBILITY ACT OF 1982 (“TEFRA”); CASE NO. P21-009

RECOMMENDATION:
Hold a public hearing and adopt a resolution approving the issuance of revenue bonds to provide financing for the Centertown Apartments.

BACKGROUND:
The Centertown Apartments is a 60-unit multi-family residential rental development that is located at 855 C Street. Constructed in 1992, the 60 units are contained in one, four-story building constructed over parking. The 60 apartment units include 17 one-bedroom units, 28 two-bedroom units, and 15 three-bedroom units. The 0.98-acre property is also developed with surface parking and perimeter landscaping. One hundred percent (100%) of the units in the Centertown Apartments are affordable to households qualifying in the low-income and extremely low-income categories. The average household income of Centertown residents is about 32% of the Marin County Areawide Median Income (AMI).

The property is owned by the City of San Rafael, as successor housing agency to the former San Rafael Redevelopment Agency, and is leased to Centertown II, LLC a California non-profit benefit corporation operated by BRIDGE Housing Corporation. BRIDGE Housing Corporation owns many affordable housing projects throughout California. In 2020, the City approved the execution of an “option to lease” agreement with Centertown II, LLC which granted an option to enter into a replacement lease on new terms. Since this action, staff has been working with BRIDGE Housing Corporation to structure a lease. Consistent with the option approved by the City Council, the terms of the lease will include, among others: a) a lease term of 99 years; b) an \$83,000 upfront ground lease payment (based on a 2020 property

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appraisal) to the City; and c) payment of \$5,000 per year for a City monitoring fee, which can escalate at 3% per year after permanent financing is in place.

BRIDGE Housing Corporation has applied to the California Municipal Finance Authority (CMFA) to be its issuer for tax-exempt financing for this property. CMFA was created in 2004 to promote economic, cultural and community development through the financing of economic development and charitable activities in California. CMFA was formed to assist local jurisdictions with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. San Rafael is a member of CMFA.

The Centertown Apartments project application to CMFA is expected to be financed in an amount not-to-exceed \$20,000,000 in the form of tax-exempt revenue bonds. The proceeds of the bonds will be used by BRIDGE Housing Corporation to finance a project to rehabilitate the Centertown Apartments. The financing will be used to address the property's immediate physical needs, as well as to establish reserves and a cash flow to address future maintenance needs as they arise. The immediate need is to remedy construction issues related to water intrusion. The cost for this improvement is estimated at \$10,000,000, which includes a 10% hard cost contingency that is common for rehabilitation of older properties.

TEFRA HEARING:

For all or a portion of the bonds to qualify as tax-exempt revenue bonds, Internal Revenue Code section 147(f), enacted by the Tax and Equity Fiscal Responsibility Act of 1982 ("TEFRA") requires that a public hearing be conducted and the bond issuance approved by an "applicable elected representative" of a governmental unit, the boundaries of which include the site at which the project is located. The San Rafael City Council is an "applicable elected representative" for purposes of holding such hearing and approving the issuance of the bonds and has been requested to do so by CMFA. A proposed resolution has been prepared and is attached for City Council consideration.

ANALYSIS:

The public "TEFRA" hearing would fulfill the requirements of the federal law and the requirements of CMFA. The City Council's role to conduct the public hearing and act on the attached resolution has no direct impact on the City of San Rafael or the subject property in that:

1. The bonds will not constitute a debt or liability to the City. The bond payments will be made by the borrower using income generated by the project.
2. As noted above, for all or a portion of the bonds to qualify as tax-exempt bonds, the City must conduct the public hearing as an accommodation to the CMFA. The City will not be the issuer of the bonds, nor will it be responsible for interest payments on the bonds. Therefore, the City's role in conducting the public hearing is perfunctory.
3. The issuance of the bonds will have no impact on, nor would it change the current affordability status of the 60 residential units. Rather, the issuance of the bonds will foster a pay-down of the outstanding debt and would be used to finance needed capital improvements to the subject property.
4. The action on this request qualifies for an Exemption from the provisions of the California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15061(b). This CEQA provision states that as a "general rule," CEQA applies only to projects and actions which have the potential to cause a significant, physical environmental effect on the environment.

After holding the TEFRA hearing and adopting the required resolution, no other participation or activity will be required of the City with respect to issuance of the bonds.

COMMUNITY OUTREACH:

A required notice of this public hearing was published in the Marin Independent Journal 10 days prior to the hearing. A copy of the notice is attached (Attachment 2).

FISCAL IMPACT:

The City's review and action on this request has no fiscal impact on the City of San Rafael. As discussed above, the issuance of the tax-exempt revenue bonds for financing will not constitute a debt or liability of the City.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation, acts as the Board of Directors for CMFA. Through its conduit issuance activities, CMFA shares a portion of the issuance fees it receives with member communities and donates its portion of the issuance fees for support of local charities. With respect to the City, it is expected that a portion of the issuance fees attributed to the City will be granted by CMFA to the general fund of the City. Such grant may be used for any lawful purpose by the City.

OPTIONS:

The City Council has the following options to consider on this matter:

1. Adopt the attached resolution as recommended by staff;
2. Adopt resolution with modifications;
3. Continue the matter and direct staff to return with more information; or
4. Deny the request.

RECOMMENDED ACTION:

Adopt resolution approving the issuance of revenue bonds for financing of the Centertown Apartments

ATTACHMENTS:

1. Resolution Approving the Issuance of Revenue Bonds by the California Municipal Finance Authority for the Purpose of Providing Financing for a Residential Rental Housing Facility Known as Centertown Apartments Located at 855 C Street, Pursuant to the Tax and Equity Fiscal Responsibility Act of 1982 ("TEFRA")
2. Public Hearing Notice

RESOLUTION NO.

A RESOLUTION OF THE SAN RAFAEL CITY COUNCIL APPROVING ISSUANCE OF REVENUE BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR THE PURPOSE OF PROVIDING FINANCING FOR A RESIDENTIAL RENTAL HOUSING PROJECT KNOWN AS CENTERTOWN APARTMENTS AT 855 C STREET, PURSUANT TO THE TAX AND EQUITY FISCAL RESPONSIBILITY ACT OF 1982 (“TEFRA”) (CASE NO. P21-009)

WHEREAS, pursuant Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, certain public agencies (the “Members”) have entered into a Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the “Agreement”) in order to form the California Municipal Finance Authority (the “Authority”), for the purpose of promoting economic, cultural and community development, and in order to exercise any powers common to the Members, including the issuance of bonds, notes or other evidences of indebtedness;

WHEREAS, the City of San Rafael (the “City”) is a member of the Authority; and

WHEREAS, the Authority is authorized to issue and sell revenue bonds for the purpose, among others, of financing or refinancing the acquisition and rehabilitation of multifamily residential rental housing facilities; and

WHEREAS, BRIDGE Housing Corporation, a California nonprofit public benefit corporation (“BRIDGE”), has requested that the Authority consider the issuance and sale of tax-exempt revenue bonds (the “Bonds”) in an amount not to exceed \$20,000,000, and to use proceeds of the Bonds to make a loan to a California limited partnership (the “Borrower”) to be formed by BRIDGE or by an affiliate of BRIDGE, to finance the acquisition and rehabilitation by the Borrower of a 60 unit multifamily rental housing facility currently known as Centertown Apartments (the “Housing Facility”) located at 855 C Street in the City, to be owned by the Borrower; and

WHEREAS, for the interest on the Bonds to be tax-exempt, section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), requires that an “applicable elected representative” of a governmental unit, the boundaries of which include the site at which the Housing Facility is located, hold a public hearing on the issuance of the Bonds and approve the issuance of the Bonds following such hearing; and

WHEREAS, the Authority has determined that the City Council of the City is an “applicable elected representative” for purposes of holding such hearing; and

WHEREAS, the Authority has requested that the City Council of the City approve the issuance of the Bonds by the Authority, following the conduct of the public hearing, in order to satisfy the public approval requirement of section 147(f) of the Code and the requirements of section 4 of the Agreement; and

WHEREAS, notice of such public hearing has been duly given as required by the Code, and the City Council has heretofore held such public hearing at which all interested persons were given an opportunity to be heard on all matters relative to the location, financing and nature of the Housing Facility and the Authority’s issuance of the Bonds therefor; and

WHEREAS, it is in the public interest and for the public benefit that the City Council approve the issuance of the Bonds by the Authority for the aforesaid purposes.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of San Rafael, as follows:

Section 1. The City Council hereby approves the issuance of the Bonds by the Authority. It is the purpose and intent of the City Council that this Resolution constitute approval of the issuance of the Bonds (a) by the “applicable elected representative” in accordance with section 147(f) of the Code, and (b) by the City Council in accordance with section 4 of the Agreement.

Section 2. The issuance of the Bonds shall be subject to the approval of the Authority of all financing documents relating thereto to which the Authority is a party. The City shall have no responsibility or liability whatsoever with respect to the repayment or administration of the Bonds.

Section 3. The adoption of this Resolution shall not obligate the City or any department thereof to (i) provide any financing for the Housing Facility; (ii) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary for the acquisition, rehabilitation or operation of the Housing Facility; (iii) make any contribution or advance any funds whatsoever to the Authority; or (iv) take any further action with respect to the Authority or its membership therein.

Section 4. The Mayor, the City Manager, the Finance Director, the City Clerk and all other proper officers and officials of the City are hereby authorized and directed to execute such other documents and certificates, and to perform such other acts, as may be necessary or convenient to affect the purposes of this Resolution and the issuance of the Bonds hereby approved.

Section 5. This Resolution shall take effect immediately upon its adoption.

I, LINDSAY LARA, City Clerk of the City of San Rafael, hereby certify that the foregoing Resolution was duly and regularly introduced and adopted at a regular meeting of the City Council of said City held on Monday, the 7th day of June, 2021, by the following vote, to wit:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

LINDSAY LARA, City Clerk

**CITY OF SAN RAFAEL
NOTICE OF PUBLIC HEARING**

Notice is hereby given that the San Rafael City Council will hold a public hearing on the following project:

MEETING DATE/TIME/LOCATION: **Monday, June 7, 2021 7:00 p.m. COVID-19 ADVISORY NOTICE** Consistent with Executive Orders No.-25-20 and No. N-29-20 from the Executive Department of the State of California and the Marin County March 16, 2020 Shelter in Place Order, the San Rafael City Council meeting of June 7, 2021 will not be physically open to the public and the meeting will be streamed live to YouTube at <https://www.youtube.com/cityofsanrafael> and through Zoom. Instructions on how to participate online, will be available on the YouTube channel.

PROJECT DESCRIPTION: **CENTERTOWN APARTMENTS – 855 C STREET.** NOTICE IS HEREBY GIVEN that as required by Section 147(f) of the Internal Revenue Code of 1986, a public hearing will be held by the City Council of the City of San Rafael, with respect to the proposed issuance by the California Municipal Finance Authority (the “Authority”) of its revenue bonds in one or more series in an amount of approximately \$20,000,000 (the “Bonds”).

The proceeds of the Bonds will be used to: (1) finance the acquisition and rehabilitation of the Centertown Apartments, a 60-unit multifamily rental housing facility located at 855 C Street; and (2) pay certain expenses incurred in connection with the issuance of the Bonds. The facility to be financed is to be owned by a California limited partnership (the “Borrower”) to be formed by BRIDGE Housing Corporation (“BRIDGE”) or an affiliate of BRIDGE. All or a portion of the rental units in the Project will be rented to persons and families of low or very low income.

The Bonds and the obligation to pay principal of and interest thereon and any redemption premium with respect thereto will not constitute an indebtedness or an obligation of the Authority, the City, the State of California or any political subdivision thereof, within the meaning of any constitutional or statutory debt limitation, or a charge against the general credit or taxing powers of any of them, but will be payable solely from certain revenues duly pledged therefor and generally representing amounts paid by the Borrower. Case No.: P21-009

WHAT WILL HAPPEN AND HOW TO PARTICIPATE AND COMMENT: You may comment on the issuance of the Bonds or on the nature and location of the Project online or via conference call. The City Council will consider all public testimony and decide whether to approve the issuance by CMFA of the Bonds. Options for meeting participation and providing comments:
YouTube - <https://www.youtube.com/cityofsanrafael> and through Zoom
Watch Webinar - <https://tinyurl.com/cc-2021-06-07> ID: 817-3692-0337#
Provide comments by phone: (844) 854-2222 (Toll Free); Access Code: 920111

IF YOU CANNOT PARTICIPATE: You may send a letter to Lindsay Lara, City Clerk by email to Lindsay.Lara@cityofsanrafael.org.

FOR MORE INFORMATION: Contact **Sara White**, Project Manager, BRIDGE Housing Corporation, at (415) 321-4074, or swhite@bridgehousing.com. You can also view the staff report after 5:00 p.m. on the Friday before the meeting at <http://www.cityofsanrafael.org/meetings>.

SAN RAFAEL CITY COUNCIL
/s/ Lindsay Lara
Lindsay Lara
CITY CLERK