



CITY COUNCIL AGENDA REPORT

MEETING DATE: JUNE 5, 2012

ITEM NUMBER:

SUBJECT: TEFRA HEARING AND RESOLUTION APPROVING THE ISSUANCE OF BONDS BY THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

DATE: MAY 10, 2012

FROM: FINANCE DEPARTMENT /ADMINSTRATIVE

PRESENTATION BY: BOBBY YOUNG, FINANCE & I.T. DIRECTOR

**FOR FURTHER INFORMATION CONTACT: BOBBY YOUNG, FINANCE & I.T. DIRECTOR
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RECOMMENDED ACTION

Adopt resolution approving the issuance of Bonds by the California Statewide Communities Development Authority for the Tower on 19th, on behalf of 19th Street Affordable, LP.

BACKGROUND

The City has received a request from the California Statewide Communities Development Authority ("CSCDA") to conduct a public hearing as required by the Internal Revenue Code in order to issue tax-exempt revenue bonds (the "Bonds") in an aggregate amount not to exceed \$37 million on behalf of 19th St. Affordable, LP (the "Borrower").

The Borrower will use the proceeds of the Bonds to finance the acquisition and rehabilitation of the Tower on 19th ("the Project") located at 678 W. 19th Street, in the City of Costa Mesa ("the City").

The 269 unit senior property, currently known as Bethel Towers, consists of studio, one bedroom and two bedroom units for low-income seniors. The proposed renovation will include extensive structural and life safety upgrades. A complete seismic retrofit of the building will be performed, fire sprinklers will be added to all common areas and units, and fire and life safety systems will be upgraded. The renovation will also include a remodel of all lobby, office and common areas. Unit renovations will include new cabinets, countertops, flooring, lighting and fixtures in 100% of the Property's kitchens and baths. All windows will be replaced and the building exterior will be repainted. Elevator and other mechanical systems will be replaced or repaired. The Project is to be owned by the Borrower and managed by The John Stewart Company.

The property will be owned by a single asset limited partnership, whose general partner will be AHCDC, Inc, a California 501(c)(3) organization, whose focus is the creation and preservation of affordable housing in California. The sponsor and developer of the property will be Reiner Communities. The partners of Reiner Communities have preserved and rehabilitated over 3,500 units of affordable multifamily housing throughout California utilizing low income housing tax credits and tax exempt bonds.

ANALYSIS

The Bonds would be tax-exempt private activity bonds for the purposes of the Internal Revenue Code and, as such, require the approval of the elected body of the governmental entity having jurisdiction over the area where the project to be financed is located. The City will not be under any obligation to repay the Bond indebtedness.

In order for CSCDA to issue such Bonds, the City must (1) conduct a public hearing allowing members of the public to comment on the proposed Project, and (2) approve of CSCDA's issuance of Bonds on behalf of the proposed financing. Although CSCDA (not the City) will be the issuer of the tax-exempt revenue bonds for the Project, the financing cannot proceed without the City, as the governmental entity having jurisdiction over the site, approving of the CSCDA's issuance of indebtedness.

CSCDA is a California joint powers authority, organized and existing under the laws of the State of California (specifically, California Government Code Section 6500 and following), and is sponsored by the League of California Cities and the California State Association of Counties. Under the California Government Code, cities and counties are authorized to form by agreement a governmental entity that combines the powers of such entities to perform certain governmental functions specifically outlined in the Agreement. With respect to the Authority, over 500 California cities, counties and special districts have entered into and executed the Agreement to become a member of the Authority, including the City of Costa Mesa. The Authority is authorized to assist in the financing of 501(c)(3) nonprofit projects.

FISCAL REVIEW

There is no direct or indirect financial impact to the City of Costa Mesa as a result of this proposed financing. CSCDA will issue tax-exempt revenue bonds on behalf of the Borrower. The Bonds are payable solely out of the revenues derived by the Project. No financial obligations are placed on the City for project financing costs or debt repayment.

LEGAL REVIEW

The City Attorney has reviewed this report.

CONCLUSION

In conclusion, the Council is respectfully requested to hold the host jurisdiction public hearing regarding the issuance of private activity bonds pursuant to Section 147(f) of the Internal Revenue Code, approve the issuance of the bonds, by the California Statewide Communities Development Authority.

Representatives from California Communities Development Authority, Reiner Communities and the property owner will be available to answer any questions regarding the Project. Feel free to contact me directly if you have questions or need additional information.

BOBBY YOUNG
Finance and I.T. Director

Attachment 1 – [Notice of Public Hearing](#)

Attachment 2 – [Resolution](#)