



City of Palo Alto

City Council Staff Report

(ID # 12146)

Report Type: Action Items

Meeting Date: 4/26/2021

Summary Title: PUBLIC HEARING: TEFRA Hearing Oshman Family JCC

Title: TEFRA HEARING Regarding Conduit Financing for the Oshman Family Jewish Community Center Located at 3921 Fabian Way, Palo Alto, and Approving the Issuance of Revenue Obligations by the California Enterprise Development Authority for the Purpose of Financing and Refinancing the Cost of the Acquisition, Development, Construction, Installation, Equipping and Furnishing of Various Educational Facilities and Other Matters Relating Thereto

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that Council:

- 1) Conduct a public hearing under the requirements of the Tax Equity and Fiscal Responsibility Act of 1983 (TEFRA) and the Internal Revenue Code of 1986, as amended; and
- 2) Adopt a Resolution (Attachment A) approving the deemed reissuance of obligations by the California Enterprise Development Authority (CEDA) for the benefit of Oshman Family Jewish Community Center (Borrower).

Background

Borrower is a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), has requested that CEDA participate in the reissuance (for federal income tax purposes) of one or more series of revenue obligations in an aggregate principal amount not to exceed \$37,800,000 (the "Obligations"), for the purpose of the deemed refinancing of the acquisition, construction, improvements, furnishing and equipping by the Borrower of a 142,000-square-foot community center. The center includes a cultural arts hall, a pre-school, meeting rooms, classrooms, indoor and outdoor pools, a fitness center including a gymnasium, a teen center, a café, a playground and playing field, and regional offices, all located at 3921 Fabian Way, Palo Alto, California 94303 (collectively, the "Project"). The Project is and will be owned by Borrower. For the Obligations to qualify as tax-exempt obligations, the City of Palo Alto must

conduct a public hearing (TEFRA Hearing), providing the members of the community an opportunity to speak in favor of or against the use of tax-exempt obligations for the refinancing of the Project. Prior to the hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA Hearing, an “applicable elected representative” of the governmental unit hosting the Project must provide its approval of the deemed reissuance of the Obligations for the refinancing of the Project.

Discussion

The Borrower originally financed the costs of the Project through a conduit financing with CEDA in March 2013. Since the Project is located within the jurisdiction of the City of Palo Alto, the City conducted a TEFRA Hearing and adopted a resolution that approved the issuance of obligations by CEDA for the benefit of Borrower on January 14, 2013 ([CMR 3416](#)).

The terms of the 2013 CEDA financing are being amended such that federal tax laws deem the transaction to be a “reissuance” of the 2013 debt for federal income tax purposes. This is not a new borrowing or a new project, but rather is a tax law characterization of an amendment transaction, which nonetheless requires TEFRA approval again.

A TEFRA Hearing is simply an opportunity for all interested persons to speak or to submit written comments concerning the proposal to issue the debt and the nature or location of the facility to be financed; however, there is no formal obligation on the part of Borrower or Council to respond to any specific comments made during the hearing or submitted in writing.

CEDA is a joint exercise of powers authority of which the City became a member on January 14, 2013. The Joint Exercise of Powers Agreement provides that CEDA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities, and obligations of the CEDA do not constitute debts, liabilities or obligations of the members executing such agreement. The Obligations to be deemed reissued by CEDA for the Project will be the sole responsibility of Borrower, and the City of Palo Alto will have no financial, legal, moral obligation, liability or responsibility for the Project or the repayment of the Obligations for the refinancing of the Project. All financing documents with respect to the deemed reissuance of the Obligations will contain clear disclaimers that the Obligations are to be paid for solely from funds provided by Borrower.

The City is in no way exposed to any financial liability by reason of its membership in CEDA. In addition, participation by the City in CEDA does not impact the City’s appropriations limits and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA Hearing and adopting the required resolution, no other participation or activity of the City or Council with respect to the deemed reissuance of the Obligations will be required. Based on the benefits of the Project to the Palo Alto community and the lack of any financial obligations on the part of the City, staff recommends that Council approve the attached Resolution.

Resource Impact

As stated, the City will incur no financial obligation from approval of the recommendations. The City will receive a fee for its services when the Obligations are deemed reissued.

Policy Implications

Actions recommended in this report are consistent with Council's prior actions in supporting non-profit financings under the TEFRA (e.g., recently approving tax-exempt financing through the California Municipal Finance Authority for Palo Alto Housing Corporation ([CMR: 10976](#)).

Stakeholder Engagement

City staff has coordinated with representatives of the Oshman Family Jewish Community Center to prepare for the TEFRA hearing.

Environmental Review

Action on this item does not constitute a project under Section 21065 of the Public Resources Code.

Attachments:

- Attachment A: Oshman provided Draft - Oshman 2021 - TEFRA Resolution

Attachment A
NOT YET APPROVED

Resolution No. ____

Resolution of the City Council of the City of Palo Alto Approving the Deemed Reissuance of Certain Revenue Obligations of the California Enterprise Development Authority in an Aggregate Principal Amount Not- To- Exceed \$[37,800,000] for the Purpose of Refinancing the Acquisition, Construction, Improvement, Furnishing and Equipping of a Community Center for Oshman Family Jewish Community Center, and Certain Other Matters Relating Thereto

RECITALS

A. Pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), certain public agencies (the "Members") have entered into a Joint Exercise of Powers Agreement relating to the California Enterprise Development Authority, dated as of June 1, 2006 (the "Agreement"), in order to form the California Enterprise Development Authority (the "Authority"), for the purpose of promoting economic, cultural and community development, and in order to exercise powers common to the Members, including the issuance of bonds, notes and other evidences of indebtedness; and

B. The City of Palo Alto (the "City") is a Member of the Authority; and

C. The Authority is authorized to issue and sell revenue bonds or other obligations for the purpose, among others, of financing and refinancing the construction of capital projects; and

D. Oshman Family Jewish Community Center, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Borrower"), has requested that the Authority participate in the reissuance (for federal income tax purposes) of certain revenue obligations in an aggregate principal amount not to exceed \$[37,800,000] (the "Obligations"), which will be deemed to refinance the cost of the acquisition, construction, improvement, furnishing and equipping by the Borrower of a 142,000-square-foot community center, which includes a cultural arts hall, a pre-school, meeting rooms, classrooms, indoor and outdoor pools, a fitness center including a gymnasium, a teen center, a café, a playground and playing field, and regional offices, all located at 3921 Fabian Way, Palo Alto, California 94303 (collectively, the "Project"). The owner and operator of the Project has been and will be the Borrower; and

E. The deemed reissuance of the Obligations must be approved by the governmental unit on behalf of which the Obligations are deemed reissued and a governmental unit having jurisdiction over the territorial limits in which the Project is located pursuant to the public approval requirement of Section 147(f) of the Code and the Treasury Regulations thereunder; and

F. The Project is located within the territorial limits of the City, and the City Council is the elected legislative body of the City on behalf of which the Obligations are being reissued and is therefore the “applicable elected representative” required to approve the deemed reissuance of the Obligations under Section 147(f) of the Code and the Treasury Regulations thereunder; and

G. The Authority has requested that the City Council approve the deemed reissuance of the Obligations by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and the Treasury Regulations thereunder; and

H. Pursuant to Section 147(f) of the Code and the Treasury Regulations thereunder, the City Council has, following notice duly given, held a public hearing regarding the deemed reissuance of the Obligations, and now desires to approve such reissuance of the Obligations by the Authority;

NOW, THEREFORE, the City Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. The foregoing recitals are true and correct.

SECTION 2. The City Council hereby finds and determines that all of the above recitals are true and correct. The City Council, as the “applicable elected representative” of the governmental unit on behalf of which the Obligations will be reissued and having jurisdiction over the territorial limits in which the Project is located, hereby approves the deemed reissuance of the Obligations by the Authority, which Obligations are in an amount not to exceed \$[37,800,000], which are deemed to be used to refinance the Project. This Resolution shall constitute “issuer” approval and “host” approval of the deemed reissuance of the Obligations within the meaning of Section 147(f) of the Code and the Treasury Regulations thereunder, and shall constitute the approval of the deemed reissuance of the Obligations within the meaning of the Act. Neither the City nor any officer of the City shall bear any responsibility for the deemed reissuance of the Obligations, the tax-exempt status of the Obligations, the repayment of the Obligations or any other matter related to the Obligations.

SECTION 3. The deemed reissuance of the Obligations shall be subject to the approval of the Authority of all financing documents relating thereto to which the Authority is a party. Neither the City nor any officer of the City shall bear any responsibility or liability whatsoever with respect to the Obligations. Neither the City nor any officer of the City has prepared or reviewed the financing documents related to the Obligations, and the City Council and the various officers of the City take no responsibility for the contents thereof.

SECTION 4. The adoption of this Resolution shall not obligate the City or any officer thereof to (i) provide any refinancing of the Project; (ii) make any contribution or advance any funds whatsoever to the Authority; or (iii) take any further action with respect to the Authority or its membership therein.

SECTION 5. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution and the financing transaction approved hereby.

SECTION 6. This Resolution shall take effect immediately upon its adoption.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

City Attorney

City Manager or Designee

Director of Administrative
Services