



# City of Palo Alto

## City Council Staff Report

(ID # 4965)

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**Report Type: Action Items**

**Meeting Date: 8/4/2014**

**Summary Title: PUBLIC HEARING: TEFRA Hearing for the Stanford Affordable Apartments Project**

**Title: PUBLIC HEARING: TEFRA Hearing Regarding Conduit Financing for the Stanford Affordable Apartments Project Located at 2450, 2470 and 2500 El Camino Real Palo Alto, and Approving the Issuance of Revenue Bonds by the California Municipal Finance Authority for the Purpose of Financing the Acquisition, Construction and Development of a Multifamily Rental Housing Facility**

**From: City Manager**

**Lead Department: Administrative Services**

### **Recommended Motion**

Staff recommends that Council consider the following motion: to adopt a resolution approving the issuance of the bonds by the California Municipal Finance Authority (CMFA) for the benefit of Palo Alto ECR Partners, L.P. (Borrower).

### **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 (Code); and
- 2) Adopt a resolution (Attachment A) approving the issuance of the bonds by the California Municipal Finance Authority (CMFA) for the benefit of Palo Alto ECR Partners, L.P. (Borrower).

### **Executive Summary**

The City has received a request to conduct a TEFRA hearing in order for the Related Companies of California to issue tax exempt bonds (through a conduit agency) to construct the Stanford Affordable Apartments project. Per federal law, a local jurisdiction must pass a resolution approving the issuance of these bonds. Staff recommends approval of the resolution. The City

bears no financial, legal or moral liability for these bonds.

### **Background**

The Related Companies of California requested that the CMFA serve as the municipal issuer of bonds for the Stanford Affordable Apartments project in an aggregate principal amount not to exceed \$23,000,000 of tax exempt revenue bonds. Proceeds from the issuance of the bonds will be used to finance the acquisition, construction and development of a 70-unit multifamily rental housing project to be located at 2450, 2470 and 2500 El Camino Real, Palo Alto. The project is located just south of California Avenue on the west side of El Camino Real and is between the Wells Fargo bank and Bank of America. The facilities are to be owned by Palo Alto ECR Partners, L.P. or related entities, and operated by Related Management Company, L.P., and are generally known as Stanford Affordable (the "Project"). All or a portion of the rental units in the facility will be rented to those of low or very low income.

In order for all or a portion of the bonds to qualify as tax-exempt bonds, 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 bonds for the financing 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 proposed project must provide its approval of the issuance of the bonds for the financing of the project.

### **Discussion**

Since the facilities to be financed with the proceeds of the CMFA's debt are located within the jurisdiction of the City of Palo Alto, the City has been asked to conduct a TEFRA hearing and adopt a resolution (Attachment A) that approves the issuance of bonds by the CMFA for the benefit of Palo Alto ECR Partners, L.P.

As cited in the published notice of July 18, 2014, the public 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 the borrower or the Council to respond to any specific comments made during the hearing or submitted in writing.

The bonds are intended to finance the acquisition, and rehabilitation of a multifamily rental housing facility proposed to be located at 2450, 2470 and 2500 El Camino Real, Palo Alto, California 94306. The Council's participation in this hearing is separate from the entitlement review and does not impact the City's ability to exercise full discretion in connection with future land use entitlements needed for the project.

The CMFA is a joint exercise of powers authority that the City became a member of on April 14, 2008. The Joint Exercise of Powers Agreement provides that the CMFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and

obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing such agreement. The bonds to be issued by the CMFA for the project will be the sole responsibility of the 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 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 of Palo Alto or the State of California but are to be paid for solely from funds provided by the borrower.

The City is in no way become exposed to any financial liability by reason of its membership in the CMFA. In addition, participation by the City in the CMFA 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, adopting the required resolution, no other participation or activity of the City or the City Council with respect to the issuance of the bonds 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 Related Companies of California is requesting authority to issue up to \$23 million in bonds through the CMFA. The City will receive a fee for its services when the bonds are issued. The City would receive approximately \$12,500 if the par amount of the bonds issued is \$20 million.

#### **Policy Implications**

Actions recommended in this report are consistent with Council's prior actions in supporting non-profit financings under the TEFRA (e.g., approving tax-exempt financing through the California Municipal Finance Authority for the Gideon Hauser Jewish Community Center Apartments project, CMR: 184:08).

#### **Environmental Review**

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

#### **Attachments:**

- Attachment A: Resolution Stanford Affordable Housing TEFRA (PDF)

Attachment A  
NOT YET APPROVED

Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Approving the Issuance of The California Municipal Finance Authority Multifamily Housing Revenue Bonds In An Aggregate Principal Amount Not To Exceed \$23,000,000 for the Purpose of Financing the Acquisition, Construction and Equipping of Stanford Affordable and Certain Other Matters Relating Thereto

**RECITALS**

A. Palo Alto ECR Partners, L.P., a California limited partnership (the “Borrower”), has requested that the California Municipal Finance Authority (the “Authority”) participate in the issuance of one or more series of revenue bonds in an aggregate principal amount not to exceed \$23,000,000 (the “Bonds”) for the acquisition, construction and equipping of a 70-unit multifamily rental housing project located at 2450, 2470 and 2500 El Camino Real, Palo Alto, California, generally known as Stanford Affordable (the “Project”) and operated by Related Management Company, L.P.

B. Pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the “Code”), the issuance of the Bonds by the Authority must be approved by the City of Palo Alto (the “City”) because the Project is to be located within the territorial limits of the City.

C. The City Council of the City (the “City Council”) is the elected legislative body of the City and is one of the “applicable elected representatives” required to approve the issuance of the Bonds under Section 147(f) of the Code.

D. The Authority has requested that the City Council approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 4 of the Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the “Agreement”), among certain local agencies, including the City.

E. Pursuant to Section 147(f) of the Code, the City Council has, following notice duly given, held a public hearing regarding the issuance of the Bonds, and now desires to approve the issuance of the Bonds by the Authority.

The Council of the City of Palo RESOLVES 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” of the governmental unit having jurisdiction over the area in which the Project is located 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 Bonds.

NOT YET APPROVED

SECTION 3. The adoption of this Resolution shall not obligate the City or any department thereof to (i) provide any financing to acquire or rehabilitate the Project or any refinancing of the Project; (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 Project; (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 officers of the City are hereby authorized and directed to execute such other agreements, documents and certificates, and to perform such other acts and deeds, as may be necessary or convenient to effect the purposes of this Resolution and the transactions herein authorized.

SECTION 5. The City Clerk shall forward a certified copy of this Resolution to:

Justin Cooper, Esq.  
Orrick, Herrington & Sutcliffe LLP  
405 Howard Street  
San Francisco, CA 94105

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:

APPROVED:

\_\_\_\_\_  
Senior Assistant City Attorney

\_\_\_\_\_  
City Manager or Designee

\_\_\_\_\_  
Director of Administrative Services