



City of Palo Alto

City Council Staff Report

(ID # 5966)

Report Type: Action Items

Meeting Date: 8/17/2015

Summary Title: TEFRA Hearing for Colorado Park Apartments

Title: TEFRA HEARING: Regarding Conduit Financing for the Colorado Park Apartments Project Located at 1141 Colorado Avenue, Palo Alto, and Approving the Issuance of Revenue Bonds by the California Municipal Finance Authority for the Purpose of Financing the Acquisition and Rehabilitation of a Multifamily Rental Housing Facility

From: City Manager

Lead Department: Administrative Services

RECOMMENDATION:

- 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 Colorado Park, LP (Borrower).

BACKGROUND:

The Palo Alto Housing Corporation, a California nonprofit public benefit corporation, requested that the CMFA serve as the municipal issuer of bonds for the Colorado Park Apartments project for an aggregate principal amount not to exceed \$25,000,000 of tax exempt revenue bonds. Proceeds from the issuance of the bonds will be used to: (1) finance the acquisition and rehabilitation of a 60 unit multifamily rental housing facility for low income families located at 1141 Colorado Avenue in the City of Palo Alto, known as Colorado Park Apartments; and (2) pay certain expenses incurred in connection with the issuance of the Bonds. The facility to be financed is to be owned by Colorado Park, LP, a California limited partnership. The facility will be managed by the Borrower or another entity selected by the Borrower. All or a portion of the rental units in the facility will be rented to households of low or very low income.

The Palo Alto Housing Corporation (PAHC) is the sponsor and developer of Colorado Park Apts. A limited partnership, Colorado Park L.P. was formed to serve as the ownership entity of the development. Colorado Park Housing Corp, a nonprofit affiliate of PAHC will serve as the managing general partner and PAHC shall serve as the initial limited partner until a tax credit

investor enters the partnership. The project will basically be used in perpetuity for low income housing. When doing a tax exempt 4% tax credit project such as this, there is a low income restriction that lasts 55 years.

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 to adopt a resolution (Attachment A) that approves both the issuance of bonds by the CMFA for the benefit of Colorado Park, LP.

As cited in the published notice of June 19, 2015, 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 located at 1141 Colorado Avenue, Palo Alto, California.

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 will 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. Palo Alto Housing Corporation is requesting authority to issue up to \$25 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 \$11,250 if the par amount of the bonds issued is the expected \$18 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 Stevenson House 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 Approving the Issuance of Revenue Bonds (PDF)

Attachment A

NOT YET APPROVED

Resolution No. _____

Resolution of the Council of the City of Palo Alto Approving the Issuance of California Municipal Finance Authority Revenue Bonds in an Aggregate Principal Amount not to Exceed \$25,000,000 for the Purpose of Financing the Acquisition, Rehabilitation, Improvement and Equipping of an Affordable Multifamily Rental Housing Facility and Certain Other Matters Relating Thereto

RECITALS

A. Colorado Park, L.P., a California limited partnership, or another entity to be created by Palo Alto Housing Corporation (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 \$25,000,000 (the "Bonds") for the acquisition, rehabilitation, improvement and equipping of a 60-unit affordable multifamily rental housing facility located at 1141 Colorado Avenue, Palo Alto, California.

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 because the Project is 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 Alto RESOLVES as follows:

SECTION 1. The foregoing recitals are true and correct.

SECTION 2. 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 by the Authority, for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f) and (b) Section 4 of the Agreement.

SECTION 3. 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 4. 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