



REPORT TO THE CITY COUNCIL

Approved by:



City Manager

Council Meeting of: December 18, 2019

Agenda Number: C-2

SUBJECT:

Public Hearing Under Tax and Equity Fiscal Responsibility Act (TEFRA) Relating to Conduit Financing for the Madera Village Apartments Affordable Housing Project for the benefit of Downtown Madera Housing Associates, a California Limited Partnership (the "Borrower"), to provide for the financing of the Madera Village Apartments Affordable Housing Project:

- 1) Consider adoption of Resolution of the City Council of the City of Madera Approving the Issuance of Revenue Bonds by the California Municipal Finance Authority in an Aggregate Principal Amount not to exceed \$24,000,000 to Finance an Affordable Rental Housing Facility for the Benefit of Self-Help Enterprises, and Certain Other Matters Relating Thereto

RECOMMENDATIONS:

1. Conduct the public hearing under the requirements of TEFRA and the Internal Revenue Code of 1986, as amended (the "Code") and
2. Adopt the resolution approving the issuance of the Bonds by the CMFA for the benefit of Self-Help Enterprises, a California non-profit public benefit corporation (the "Borrower"), to provide for the financing of the Project, such adoption is solely for the purposes of satisfying the requirements of TEFRA, the Code, and California Government Code Section 6500 (and following).

SUMMARY:

The purpose of this agenda item is to conduct a public hearing under the Tax and Equity Fiscal Responsibility Act ("TEFRA") in connection with the proposed issuance of revenue bonds by the California Municipal Finance Authority (the "CMFA"), in an amount not to exceed \$24,000,000, (the "Bonds"), for the acquisition, construction, improvement and equipping of 52-unit rental housing facility for low-income households, to be located in the City of Madera, California on an approximately 3.5-acre parcel bounded by E. Lewis Street to the west, State Highway 99 to the northeast, and, to the south, the alley that runs to the north and to the east of the lots on the north side of E. Dunham Street (the "Project").

The CMFA is a joint powers authority formed to assist local governments, non-profit organizations, and businesses with the issuance of both taxable and tax-exempt debt. The debt to be issued by the CMFA will be the sole responsibility of the Borrower and the City will have no financial or legal obligations or responsibilities regarding the repayment of the debt. A couple of items worth highlighting:

- All financing documents will carry disclaimers that the loan is not an obligation of the City. **The City will also bear no costs in the issuance of the proposed debt.**
- This is a private loan with the borrower and their bank.
- The issuance of the Bonds by the Authority must be approved by the City because the Project is to be located within the territorial limits of the City.

BACKGROUND:

Self-Help Enterprises, on behalf of a limited partnership or other legal entity to be created by the Sponsor or an affiliate of the Sponsor (such limited partnership or other entity being referred to herein as the “Borrower”), has requested that the CMFA issue one or more series of revenue bonds in an aggregate principal amount not to exceed \$24,000,000, including but not limited to revenue bonds issued as part of a plan to finance the facilities described herein, for the acquisition, construction, improvement and equipping of 52-unit rental housing facility for low-income households, to be located in the City of Madera, California on an approximately 3.5-acre parcel bounded by E. Lewis Street to the west, State Highway 99 to the northeast, and, to the south, the alley that runs to the north and to the east of the lots on the north side of E. Dunham Street.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Madera must conduct a public hearing (the “TEFRA Hearing”) providing for 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 such TEFRA 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 issuance of the Bonds for the financing of the Project.

The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. To date, over 300 municipalities, including the City, have become members of CMFA.

The CMFA was formed to assist local governments, non-profit organizations and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA’s representatives and its Board of Directors have considerable experience in bond financings.

FINANCIAL IMPACT:

The Bonds to be issued by the CMFA for the Project will be the sole responsibility of the Borrower, and the City 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 or the State of California but are to be paid for solely from funds provided by the Borrower.

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

ALTERNATIVES:

- A. Adopt Resolution No. 2019-_____ and Conduct a Public Hearing under the Tax and Equity Fiscal Responsibility Act in Connection with the Proposed Issuance of Revenue Bonds by the California Municipal Finance Authority Powers Authority in an Amount Not to Exceed \$24,000,000, (to Finance or Refinance the Acquisition, Construction, Improvement and Equipping of a 52-unit Multi-Family Rental Housing Project to be located in the City of Madera, California on an approximately 3.5-acre parcel bounded by E. Lewis Street to the west, State Highway 99 to the northeast, and, to the south, the alley that runs to the north and to the east of the lots on the north side of E. Dunham Street (the "Project").
- B. Continue this matter and provide staff with direction.
- C. Take no action.

ATTACHMENT:

- 1. Resolution

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA
APPROVING THE ISSUANCE OF REVENUE BONDS BY THE
CALIFORNIA MUNICIPAL FINANCE AUTHORITY IN AN
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$24,000,000 TO
FINANCE AN AFFORDABLE RENTAL HOUSING FACILITY FOR THE
BENEFIT OF SELF-HELP ENTERPRISES, AND CERTAIN OTHER
MATTERS RELATING THERETO**

WHEREAS, Self-Help Enterprises, a California non-profit public benefit corporation (the “Sponsor”), on behalf of an entity to be established by the Sponsor or by an affiliate of the Sponsor (such entity being referred to herein as the “Borrower”), has requested that the California Municipal Finance Authority (the “Authority”) issue one or more series of revenue bonds in an aggregate principal amount not to exceed \$24,000,000, including but not limited to revenue bonds issued as part of a plan to finance the facilities described herein (the “Bonds”), for the acquisition, development, construction and equipping of a 52-unit affordable rental housing facility for low- and very low-income tenants, including 16 units for tenants who are homeless or who experience chronic homelessness (the “Project”), located in the City of Madera, California (the “City”) on an approximately 3.5-acre parcel bounded by E. Lewis Street to the west, State Highway 99 to the northeast, and, to the south, the alley that runs to the north and to the east of the lots on the north side of E. Dunham Street; and

WHEREAS, 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 to be located within the territorial limits of the City; and

WHEREAS, 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; and

WHEREAS, 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; and

WHEREAS, 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.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Madera, 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, including but not limited to Bonds issued as part of a plan to finance the facilities described herein. 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 to be 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. The Clerk shall forward a certified copy of this Resolution and an originally executed Agreement to the Authority in care of its counsel:

Ronald E. Lee, Esq.
Jones Hall, APLC
475 Sansome Street, Suite 1700
San Francisco, CA 94111

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