

BACKGROUND:

The California Statewide Communities Development Authority (Authority) was created in 1988, under California’s Joint Exercise of Powers Act, to provide California’s local governments with a tool for financing community-based public benefit projects. 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. More than 500 cities, counties and special districts are Program Participants to the Authority, including the City of Riverside. The Authority serves as the conduit issuer and provides access to an efficient mechanism to finance locally approved projects.

On February 4, 2020, the City Council held a Public Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing and approved Resolution No. 23541, which authorized the issuance of revenue bonds or refunding bonds by the Authority on behalf of St. Michaels LP. Due to the COVID-19 pandemic, the project was delayed, and the financing will not close before the one-year mark that it was approved. Therefore, a new TEFRA Hearing and resolution approval is required.

DISCUSSION:

The City has received a request from the Authority to conduct a public hearing as required by the Internal Revenue Code in order to issue revenue and refunding bonds (the “Bonds”) in an aggregate amount not to exceed \$15 million on behalf of St. Michaels LP, (the “Borrower”). The Borrower will use the proceeds of the Bonds for the financing or refinancing of the acquisition and development of a 50-unit multifamily rental housing project located at 4070 Jackson Street, Riverside, California, (the “Project”) located within the City of Riverside (the “City”).

The Bonds will be private activity bonds for the purpose of the Internal Revenue Code, and per Section 147(f), must be approved by the governmental agency having jurisdiction over the area in which the project to be financed is located. The City will not be under any obligation to repay the Bond indebtedness.

In order for the Authority to issue such Bonds, the City must (1) conduct a public hearing allowing members of the public to comment on the proposed Project, (2) provide a toll free phone number for all interested parties to comment on the approval of TEFRA financing, and (3) approve the Authority’s issuance of Bonds on behalf of the proposed financing plan. Although the Authority (not the City) will be the issuer of the revenue bonds for the Project, the financing cannot proceed without the City approving the Authority’s issuance of indebtedness.

FISCAL IMPACT:

There is no direct or indirect fiscal impact to the City as a result of this proposed financing by the Authority. The Authority will issue revenue bonds on behalf of the Project. The revenue bonds are payable solely from the revenues derived by the Borrower from the applicable Project. No financial obligations are placed on the City for project financing costs or debt repayment.

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Attachments:

1. Resolution Authorizing Issuance of Bonds
2. Notice of Public Hearing
3. Presentation