



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MAY 21, 2019**

FROM: FINANCE DEPARTMENT **WARD: 2**

SUBJECT: PUBLIC HEARING – RESOLUTION AUTHORIZING CALIFORNIA MUNICIPAL FINANCE AUTHORITY TO ISSUE BONDS ON BEHALF OF CHF-RIVERSIDE II, LLC, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$220,000,000 FOR PURPOSE OF FINANCING ACQUISITION, CONSTRUCTION, IMPROVEMENT, FURNISHING AND EQUIPPING OF AN APPROXIMATELY 1,502-BED STUDENT HOUSING FACILITY, CERTAIN RELATED PARKING, AND OTHER RELATED AND APPURTENANT FACILITIES AT UNIVERSITY OF CALIFORNIA, RIVERSIDE

ISSUES:

Conduct a Tax Equity and Fiscal Responsibility Act (TEFRA) Public Hearing regarding the issuance of revenue bonds and the related plan of finance for the acquisition, construction, improvement, furnishing and equipping of an approximately 1,502-bed student housing facility, certain related parking and other related and appurtenant facilities located within the City of Riverside, adopt a resolution to authorize the issuance of revenue bonds in an aggregate principal amount not to exceed \$220,000,000 by the California Municipal Finance Authority, on behalf of CHF-Riverside II, LLC, an Alabama limited liability company for the Project which includes a plan of financing for the Project, and authorize the City Manager, or his designee, to execute all required documents.

RECOMMENDATIONS:

That the City Council:

1. Conduct a Tax Equity and Fiscal Responsibility Act (TEFRA) Public Hearing regarding the issuance of revenue bonds along with the related plan of financing for the acquisition, construction, improvement, furnishing and equipping of an approximately 1,502-bed student housing facility, certain related parking and other related and appurtenant facilities located within the City of Riverside;
2. Adopt a resolution to authorize the issuance of revenue bonds in an aggregate principal amount not to exceed \$220,000,000 by the California Municipal Finance Authority, on behalf of CHF-Riverside II, LLC, an Alabama limited liability company for the Project which includes a plan of financing for the Project; and
3. Authorize the City Manager, or designee, to execute all required documents and make certain changes as required, including making minor non-substantive changes and/or

corrections

BACKGROUND:

The California Municipal Finance Authority (the “Authority”) is a California joint exercise of powers Authority, organized and existing under the laws of the State of California (specifically, California Government Code Section 6500 and following), and is sponsored by the League of California Cities and the California State Association of Counties. The Authority was created on January 1, 2004 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. To date, over 300 municipalities, including the City of Riverside, have become members of the Authority. The Authority serves as the conduit issuer and provides access to an efficient mechanism to finance locally approved projects.

DISCUSSION:

The City has received a request from the Authority to conduct a TEFRA public hearing as required by the Internal Revenue Code in order to issue one or more series of tax-exempt revenue bonds (the “Bonds”) in an aggregate amount not to exceed \$220 million. The Bonds will be issued by the Authority on behalf of CHF-Riverside II, L.L.C., an Alabama limited liability company whose sole member is a non-profit corporation described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Borrower”).

The Borrower will use the proceeds of the Bonds for the financing of the acquisition, construction, improvement, furnishing and equipping of an approximately 1,502-bed student housing facility, certain related parking and other appurtenant facilities (the “Project”) located within the City of Riverside (the “City”) at the University of California, Riverside (the “University”). The facility will be owned by the Borrower and/or The Regents of the University of California (“The Regents”) and initially operated by ACC SC Management (California) LP and/or The Regents.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Riverside must conduct a 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 TEFRA Hearing, the City must provide members of the community reasonable notice of the hearing. 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 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. 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 and that the Borrower is responsible for paying debt service.

FISCAL IMPACT:

There is no direct or indirect fiscal impact to the City due to 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. The City will have no financial obligation for project financing costs or debt repayment. Through its conduit issuance activities, the Authority shares a portion of the issuance fees it receives with its member communities. A portion of the issuance fee attributable to the City will be granted by the Authority to the general fund of the City. The funds may be used for any lawful purpose of the City.

Prepared by: Heidi Schrader, Debt Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer
Approved by: Carlie Myers, Deputy City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

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