



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: AUGUST 2, 2022**

FROM: FINANCE DEPARTMENT **WARD: 1**

SUBJECT: PUBLIC HEARING – RESOLUTION AUTHORIZING THE CALIFORNIA PUBLIC FINANCE AUTHORITY TO ISSUE EXEMPT FACILITY BONDS ON BEHALF OF ASPIRE, L.P. OR ANOTHER ENTITY CREATED BY KINGDOM DEVELOPMENT, INC. IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$16,000,000 TO FINANCE A 33-UNIT AFFORDABLE HOUSING FACILITY, AND AUTHORIZING THE CITY OF RIVERSIDE TO JOIN THE CALIFORNIA PUBLIC FINANCE AUTHORITY AS A NON-CHARTER ADDITIONAL MEMBER

ISSUES:

Conduct a Tax Equity and Fiscal Responsibility Act (TEFRA) Public Hearing regarding the issuance of revenue bonds and the related plan of financing to finance the acquisition and development of a 33-unit affordable housing project located at 3861-3893 3rd Street, Riverside, California; and adopt a resolution authorizing the City of Riverside to join the California Public Finance Authority as a non-charter additional member and authorizing the issuance of revenue bonds or refunding bonds in an aggregate principal amount not to exceed \$16,000,000 by the California Public Finance Authority, on behalf of Aspire, L.P. or another entity created by Kingdom Development, Inc., which includes a plan of financing for the purpose of financing or refinancing the Project, and.

RECOMMENDATIONS:

That the City Council:

1. Conduct the 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 and development of The Aspire, a 33-unit affordable housing project to be located at 3861-3893 3rd Street, Riverside, California;
2. Adopt a resolution authorizing the City of Riverside to join the California Public Finance Authority as a non-charter additional member, and authorizing the issuance of one or more series of revenue bonds in an aggregate amount not to exceed \$16,000,000 by the California Public Financing Authority, on behalf of Aspire, L.P. or another entity created by Kingdom Development, Inc., to provide for the financing of the Project; and
3. Authorize the City Manager, or designee, to execute any supporting documents to effectuate the resolution.

BACKGROUND:

The California Public Finance Authority (the “Authority”) is a political subdivision of the State of California established under the Joint Exercise of Powers Act for the purpose of issuing tax-exempt and taxable conduit bonds for public and private entities throughout California. 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. California Public Finance Authority was initially formed between Kings County and the Housing Authority of Kings County, California. More than 50 cities, counties and special districts throughout California are Program Participants to 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 \$16 million. The Bonds will be issued by the Authority for the purpose of providing financing on behalf of Aspire, L.P., a California limited partnership, or another ownership entity to be created by Kingdom Development Inc. (the “Developer”) or a related person to the general partner of the Developer. The Borrower will use the proceeds of the Bonds for the financing of the acquisition, construction, improvement and equipping of The Aspire, a 33-unit affordable housing facility located at 3861-3893 3rd 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) join the California Public Finance Authority as a non-charter member by approving the attached resolution and authorizing the City Manager, or designee, to execute supporting documents; (2) conduct a public hearing allowing 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, and the borrower will be Aspire, L.P., the financing cannot proceed without the City approving the Authority’s issuance of the Bonds for the financing of the Project.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 2 - Community Well-Being** and **Goal 2.1** – Facilitate the development of a quality and diverse housing supply that is available and affordable to a wide range of income levels.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Authorizing California Public Financing Authority to issue tax exempt

TEFRA financing reduces the cost of capital financing for eligible projects to construct, acquire, and develop affordable housing developments.

2. **Equity** – Using bonded indebtedness to fund affordable housing projects ensures generational equity. The repayment of the cost of the facility (30 years) is made by the generation of residents that receive the actual benefits of the project.
3. **Fiscal Responsibility** – TEFRA financing supports the expansion of affordable housing within the City of Riverside, without impacting City financial resources.
4. **Innovation** – Leveraging CalPFA resources to provide accessibility to tax-exempt financing for affordable housing developments is a cost-effective method to support community well-being.
5. **Sustainability & Resiliency** – Authorization of the financing project allows Riverside to expand the amount of available affordable housing to meet the future needs of its residents without impacting existing public funds.

FISCAL IMPACT:

There is no direct or indirect fiscal impact to the City as a result of joining California Public Finance Authority or this proposed financing. 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.

Prepared by:	Heidi Schrader, Debt and Treasury Manager
Certified as to availability of funds:	Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer
Approved by:	Kris Martinez, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:

1. Resolution Authorizing Issuance of Bonds and the City of Riverside to Join the California Public Finance Authority
2. Notice of Public Hearing
3. Presentation