



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 27, 2016

FROM: FINANCE DEPARTMENT WARD: 5

**SUBJECT: PUBLIC HEARING - CALIFORNIA BAPTIST UNIVERSITY REGARDING THE
ISSUANCE OF REVENUE BONDS BY THE CALIFORNIA STATEWIDE
COMMUNITIES DEVELOPMENT AUTHORITY FOR THE PURPOSE OF
REFINANCING AND FINANCING THE ACQUISITION, CONSTRUCTION AND
IMPROVEMENT OF STUDENT HOUSING FACILITIES**

ISSUES:

Conduct a public hearing on behalf of California Baptist University (CBU) under the Tax and Equity Fiscal Responsibility Act ("TEFRA") in connection with the proposed issuance of one or more series of revenue bonds by the California Statewide Communities Development Authority ("CSCDA"), a joint exercise of powers authority and public entity of the State of California, in an amount not to exceed \$120 million (collectively, the "Bonds"), for the purpose of refinancing and financing the acquisition, construction and improvement of certain student housing facilities for the benefit of LEH LLC for the benefit of CBU located in Riverside, California; and adopt a resolution approving the issuance by the CSCDA of tax-exempt revenue bonds in an amount not to exceed \$120 million for the purpose of refinancing and financing the acquisition, construction and improvement of student housing facilities at CBU.

RECOMMENDATIONS:

That the City Council:

1. Conduct a Public Hearing on behalf of CBU to receive comments regarding the issuance of the CSCDA Revenue Bonds (Lancer Educational Student Housing Project) Series 2016; and
2. Adopt the attached Resolution authorizing the execution and delivery of the CSCDA Revenue Bonds (Lancer Educational Student Housing Project) Series 2016 for LEH LLC.

BACKGROUND:

Prior Financings:

2007:

LEH LLC (the "Borrower") was formed in 2007 for the purpose of receiving, holding, and administering housing related property for the direct benefit of California Baptist University (the "University"). The Borrower, with a portion of the proceeds of the CSCDA Revenue Bonds (Lancer

Educational Student Housing Project) Series 2007A&B, purchased six separate student residential facilities comprising 1,166 beds (at the time of purchase) located on the campus of the University in Riverside, California together with a lease of the land underlying these facilities.

At the time of the issuance of the Series 2007 Bonds, the Borrower expected to construct or acquire additional housing. Upon evaluating its options for acquiring or constructing housing, the Borrower concluded that the acquisition of Tower Hall (formerly known as Royal Rose) and The Village @ CBU (formerly known as the Rose Garden Village) apartment complexes from the University was advantageous to addressing the housing needs of the University and its students. This follows the original intent of creating Lancer Educational Housing, LLC, which was to hold most, if not all, of the housing for the University's students. The use of the Tower Hall apartment complex was previously restricted pursuant to a HUD restriction which subsequently has been released – making the housing available for occupancy by University students.

2010:

During the first quarter of 2010, upon closing of the CSCDA Revenue Bonds (Lancer Educational Student Housing Project) Series 2010A&B, the Borrower acquired the 121 unit The Village @ CBU and the 94 unit Tower Hall apartment complexes from the University which are located adjacent to the University's campus with a portion of the proceeds of approximately \$14 million in revenue bonds it issued on its behalf by CSCDA.

Other Acquisitions:

The University owns and operates student residential facilities consisting of 22 modular housing buildings containing 174 beds (the "Cottages") and an apartment complex consisting of 88 units that was acquired in December 2013 ("The Point"). The University also owns 67 single family residences currently used for faculty and staff rental housing.

The Colony Student Housing LLC ("CSH") owns 1,022 beds ("The Colony", formerly named the "Parkside Village Apartments"). This complex had been acquired in December 2010 by the Parkside Village Apartments LLC and was then sold to CSH in June 2012 to provide better financing.

Current 2016 Financing:

The Series 2016A Bonds are proposed to be issued to:

- 1) Finance and refinance the acquisition, construction, improvement, renovation, furnishing and equipping of certain housing facilities for faculty, staff and students of California Baptist University by the Borrower, including related administrative facilities, site improvements, and parking, including but not limited to:
 - a) A 32-unit apartment complex known as College Park Apartments ("College Park") located at 8230 Magnolia Avenue in Riverside
 - b) Student housing facilities known as The Point located at 3622 Adams Street on the University's main campus, the address of which is 8432 Magnolia Avenue, Riverside California 92504
 - c) Student housing facilities known as The Colony located at 3675 and 3697 Monroe Street in Riverside
 - d) An apartment complex located on a parcel adjacent to the College Park project
 - e) Other improvements to existing housing facilities located on the University's campus
- 2) Advance refund for all of the outstanding California Statewide Communities Development

Authority Revenue Bonds (Lancer Educational Student Housing Project) Series 2007A, and California Statewide Communities Development Authority Revenue Bonds (Lancer Educational Student Housing Project) Series 2010A.

The Point will be acquired by the Borrower from the University, and the proceeds that the University will receive from the sale of The Point to the Borrower will be used to finance and refinance all or a portion of the acquisition, construction, improvement and equipping of educational and related facilities, including related administrative facilities, site improvements, parking structures and surface parking, including but not limited to construction of or renovation of existing space for a new library and/or study spaces and other improvements located on the Campus and at 8775 Magnolia Avenue.

The Colony will be acquired by the Borrower from Colony Student Housing, LLC and the sale proceeds will be used to prepay and retire the California Statewide Communities Development Authority Revenue Bonds (Colony Student Housing, LLC) Series 2012 and the outstanding revolving business loan with California Bank and Trust, both issued to finance or refinance the acquisition of The Colony.

TEFRA HEARING

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Riverside 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. In the local newspaper of general circulation within the City a notice that a public hearing regarding the Bonds was published on September 9, 2016 giving notice to the community and an opportunity to speak on the Project.

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

FISCAL IMPACT:

There is no fiscal impact to the City. The Bonds will be issued as limited obligations of CSCDA, payable solely from revenues and receipts derived from a loan to be made by CSCDA to the Borrower with the Bond proceeds.

Prepared by:	California Baptist University and Scott Miller, Chief Financial Officer/City Treasurer
Certified as to availability of funds:	Scott Miller, Phd, Chief Financial Officer/City Treasurer
Approved by:	Marianna Marysheva, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney
Attachment:	Resolution