



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JULY 11, 2017

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: 1

SUBJECT: TAX EQUITY AND FISCAL RESPONSIBILITY (TEFRA) PUBLIC HEARING FOR THE ISSUANCE OF TAX-EXEMPT REVENUE BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY ON BEHALF OF BEACON COMMUNITIES, INC. TO ACQUIRE, REHABILITATE , IMPROVE AND EQUIP MT. RUBIDOUX MANOR, AN AFFORDABLE MULTIFAMILY RENTAL HOUSING FACILITY LOCATED AT 3993 TENTH STREET

ISSUE:

Conduct a TEFRA hearing for the acquisition, rehabilitation, improvement and equipping of Mt. Rubidoux Manor, a 188-unit affordable multifamily rental housing facility to be owned and operated by Beacon Communities, Inc. and located at 3993 Tenth Street in the City of Riverside.

RECOMMENDATIONS:

That the City Council:

1. Conduct the public hearing as required by the IRS Section 147(f) of the Internal Revenue code of 1986;
2. Adopt the attached resolution in order to authorize the issuance of tax-exempt revenue bonds by the California Municipal Finance Authority, on behalf of Beacon Communities, Inc. for the acquisition and rehabilitation of Mt. Rubidoux Manor affordable multifamily rental housing facility; and
3. Authorize the City Manager or designee to execute all required documents.

BACKGROUND:

Tax-exempt bond financing is a proven low-cost method of funding capital projects. The California Municipal Finance Authority (CMFA) provides access to this market for qualified borrowers by acting as the conduit issuer. Eligible costs for a CMFA financing may include the purchase of land, project design costs, construction, rehabilitation, improvement, equipment purchase and installation and legal fees.

DISCUSSION:

The City of Riverside has received a request from CMFA to conduct a public hearing as required by the IRS in order to issue tax-exempt revenue bonds (Bonds) in an aggregate amount not to exceed \$30 million on behalf of Beacon Communities, Inc. (Developer). The Developer will use the proceeds of the Bonds for the acquisition and rehabilitation of Mt. Rubidoux Manor affordable multifamily rental housing facility located at 3993 Tenth Street in the City (the "Project").

The Bonds would be tax-exempt private activity bonds for the purposes of the IRS and, as such, require the approval of the elected body of the governmental entity having jurisdiction over the area where the project to be financed is located. The City will not be under any obligation to repay the Bond indebtedness.

In order for CMFA to issue such Bonds, the City must (1) conduct a TEFRA public hearing allowing members of the public to comment on the proposed Project, and (2) approve CMFA's issuance of Bonds on behalf of the proposed financing. Although CMFA (not the City) will be the issuer of the tax-exempt revenue bonds for the Project, the financing cannot proceed without the City as the governmental entity having jurisdiction over the site, approving CMFA's issuance of indebtedness.

CMFA 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. 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. With respect to CMFA, over 480 California cities, counties and special districts have entered into and executed the Agreement to become a member of the CMFA including the City of Riverside. CMFA is authorized to assist in the financing of affordable housing projects.

FISCAL IMPACT:

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

Prepared by: Rafael Guzman, Community & Economic Development Director
Certified as to
availability of funds: Scott G. Miller, PhD, Chief Financial Officer/City Treasurer
Approved by: Al Zelinka, FAICP, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachment:

1. Resolution
2. Presentation