



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 4, 2020

FROM: FINANCE DEPARTMENT WARD: 1

SUBJECT: PUBLIC HEARING – RESOLUTION AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ISSUE BONDS ON BEHALF OF BREEZEWOOD 2019, LP, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000 FOR BREEZEWOOD 2019, LP FOR THE PURPOSE OF FINANCING OR REFINANCING THE ACQUISITION, REHABILITATION, AND DEVELOPMENT OF A 157-UNIT MULTIFAMILY RENTAL HOUSING PROJECT KNOWN AS BREEZEWOOD APARTMENTS

ISSUES:

Conduct the Tax Equity and Fiscal Responsibility Act (TEFRA) Public Hearing regarding the issuance of revenue bonds, future refunding bonds, and the related plan of financing to finance or refinance the acquisition, rehabilitation, and development of a 157-unit multifamily rental housing project located at 3893 Kirkwood Avenue, generally known as Breezewood Apartments, and adopt a resolution authorizing the issuance of revenue bonds or refunding bonds in an aggregate principal amount not to exceed \$20,000,000 by the California Statewide Communities Development Authority, on behalf of Breezewood 2019, LP, which includes a plan of financing for the purpose of financing or refinancing the Project.

RECOMMENDATIONS:

That the City Council:

1. Conduct the Tax Equity and Fiscal Responsibility Act (TEFRA) Public Hearing regarding the issuance of revenue or refunding bonds along with the related plan of financing for the acquisition, rehabilitation, and development of a 157-unit multifamily rental housing project located at 3893 Kirkwood Avenue, Riverside, California, generally known as Breezewood Apartments located within the City of Riverside;
2. Adopt a resolution authorizing the issuance of revenue bonds or refunding bonds in an amount not to exceed \$20,000,000 by the California Statewide Communities Development Authority, on behalf of Breezewood 2019, LP, a California limited partnership company for the Project which includes a plan of financing for the purpose of financing or refinancing 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 Statewide Communities Development Authority (the “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 April 16, 2019, the City Council held a Public Hearing and approved Resolution No. 23433, which authorized the issuance of revenue bonds or refunding bonds by the Authority on behalf of Breezewood 2019, LP. The Authority has advised that the financing may not close before the one-year mark. 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 \$20 million on behalf of Breezewood 2019, LP, (the “Borrower”). The Borrower will use the proceeds of the Bonds for the financing or refinancing of the acquisition, rehabilitation, and development of a 157-unit multifamily rental housing project located at 3893 Kirkwood Avenue, Riverside, California, generally known as Breezewood Apartments (the “Project”) located within the City of Riverside (the “City”).

In 1989, the Breezewood Apartments were acquired, rehabilitated, and managed by the Housing Authority of Riverside County, with an annual pledge of funds from the Redevelopment Agency of the City of Riverside. The City of Riverside contributed HOME Investment Partnership Act Grant funds in subsequent years, stipulating that 39 units be restricted to high HOME rents – 60% County Median Income (CMI), and an additional 31 units for Very Low-Income households (50% CMI).

In 2003, KDF Communities, LLC, which owns Breezewood 2019, LP, purchased the Breezewood Apartments. At that time, the City updated the Affordability Covenants to ensure 31 units were occupied by households at 50% CMI and the remaining 124 households at 60% CMI or less. These Affordability Covenants stay with the property for 55 years per the agreement signed at that time.

In 2003, KDF Breezewood, LLC, issued Multifamily Housing Revenue Bonds in order to acquire and rehabilitate the project. At that time, the Redevelopment Agency of the City of Riverside pledged to pay the Bond Trustee on behalf of KDF \$312,000 annually from Downtown/Airport Low-Mod Housing funds through May 1, 2019. The City’s prior contributions to the project do not prevent the City from approving the issuance of bonds on behalf of Breezewood 2019, LP, since the City has no fiscal responsibility for the new bonds. The City will not issue or profit from the bonds.

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, and (2) 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.

Prepared by: Heidi Schrader, Debt and Treasury Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City 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