



Agenda Report

October 20, 2014

TO: Honorable Mayor and City Council

FROM: City Manager

SUBJECT: TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA) HEARING AND RESOLUTION FOR THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY REVENUE BONDS FOR THE NORTHWEST MANOR I APARTMENTS.

RECOMMENDATION:

It is recommended that the City Council hold a TEFRA hearing and:

1. Find that the proposed contract is categorically exempt from the California Environmental Quality Act ("CEQA") in accordance with Title 14, Chapter 3, Section 15301, (Class 1, Existing Facilities);; and
2. Adopt a Resolution approving the issuance of the California Statewide Communities Development Authority (CSCDA) Multifamily Housing Revenue Bonds (Northwest Manor I project); in an aggregate amount not to exceed \$9,000,000 to finance the acquisition and rehabilitation of the Northwest Manor I Apartments.

BACKGROUND:

The CSCDA is a Joint Powers Authority organized and existing under the laws of the State of California (specifically, California Government Code Section 6500), and is sponsored by the League of California Cities and the California State Association of Counties. Over 500 counties, cities, and special districts are member of the Authority, including the City of Pasadena. The sole purpose of the CSCDA is to finance projects that promote economic development through the issuance of bonds.

Community Preservation Partners, LLC (the "Borrower") has requested that the CSCDA serve as the issuer of multifamily housing revenue obligations in an aggregate principal amount not to exceed \$9,000,000 (the "Obligations"). The proceeds of the Obligations

will enable the Borrower to finance the acquisition and rehabilitation of the Northwest Manor I Apartments, located at 985 and 1009 North Raymond Ave. and 1010 and 1050 North Summit Ave. in Pasadena (the "Project"). The Project, consisting of buildings constructed in 1954, 1958 and 1964 and subsidized by the U. S. Department of Housing and Urban Development ("HUD"), is currently owned by Northwest Manors, Inc. and provides 44 units of affordable rental housing for very low income persons. The Project is not financially assisted or deed-restricted by the City.

The proposed rehabilitation program encompasses substantial repairs and upgrades, interior and exterior. The work is not anticipated to cause any displacement of tenants. However, if at the time of rehabilitation it is determined that a unit requires additional work causing the unit to be uninhabitable, Borrower will have a relocation plan in place to accommodate impacted tenants. The Project will continue to provide 44 units of affordable rental housing to very low and low income seniors at 50% and 60% of the Area Median Income. The Project's current affordability restrictions under HUD are due to expire on or about June 1, 2015. The regulatory agreement under the Project's proposed financing, consisting of tax-exempt bonds and 4% tax credits, would extend the Project's housing affordability restrictions by 55 years. Borrower was founded in 2004 as a mission-based developer to recapitalize, rehabilitate and preserve aging affordable housing communities. With the financial backing of parent company WNC, a national investor in real estate and community renewal initiatives with \$6.2 million in assets, Borrower has redeveloped 59 projects totaling over 3,000 units throughout California.

In order for the Obligations to qualify as tax-exempt bonds, the City must conduct a public hearing (the "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 such TEFRA Hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA Hearing, the City Council, the governmental unit hosting the Project, must provide its approval of the issuance of the Bonds for the financing of the Project.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goals to maintain fiscal responsibility and stability and to improve the quality of life.

ENVIRONMENTAL ANALYSIS:

The proposed action is the approval of the use of bond funds for financing the acquisition and rehabilitation of the existing Northwest Manor I housing project by Community Preservation Partners, LLC. This action is categorically exempt from the California Environmental Quality Act ("CEQA") in accordance with Title 14, Chapter 3, Section 15301, Class 1, Existing Facilities. Class 1 exempts from CEQA review the

operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing structures where there is negligible or no expansion of the use. The proposed approval would provide a funding mechanism for the purchase and rehabilitation of a 44-unit affordable housing apartment building by a private entity. The proposed rehabilitation consists of interior and exterior repairs and upgrades, with no increase in the number of residential units.

FISCAL IMPACT:

There is no fiscal impact as a result of this action nor will it have any indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action. The adoption of the Resolution approving the project and the issuance of the bonds complies with the requirements of Section 147(f) of the Internal Revenue Service Code. The proposed obligations to be issued by the CSCDA will be the sole responsibility of Community Preservation Partners, LLC. The City will have no financial or legal obligation for the tax exempt status of the bonds, the debt service on the bonds nor any other matter related to the proposed bonds.

Respectfully submitted,



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Department of Finance

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Approved by:


MICHAEL J. BECK
City Manager