

AGENDA ITEM

June 1, 2015

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 EAST MOUNTAIN HOUSING ASSOCIATES, L.P. WITH RESPECT TO NORTHWEST MANOR II MULTIFAMILY APARTMENT PROJECT

RECOMMENDATION:

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

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Adopt a Resolution approving the issuance of the California Statewide Communities Development Authority (CSCDA) Multifamily Housing Revenue Bonds (Northwest Manor II project); in an aggregate amount not to exceed \$11,000,000 to finance the acquisition and rehabilitation of the Northwest Manor II 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.

East Mountain Housing Associates, L.P. to be established by Community HousingWorks (the "Borrower") has requested that the CSCDA serve as the issuer of

multifamily housing revenue obligations in an aggregate principal amount not to exceed \$11,000,000 (the "Obligations"). The proceeds of the Obligations will enable the Borrower to finance the acquisition and rehabilitation of the Northwest Manor II Apartments, located at 700 E. Mountain St. and 965 N. Raymond Ave in Pasadena (collectively, the "Project").

The Project involves the preservation of 44 affordable homes in Pasadena. The apartment homes will be affordable to low-income individuals and families with income up to 60% of the Area Median Income (AMI), and will play an important role in Community HousingWorks' objective to provide and maintain affordable rental housing to help people and neighborhoods move up in the world.

Northwest Manors II is a two-site development with one property located at 965 North Raymond Ave and the other property located at 700 East Mountain Street. On December 29, 2014 Community HousingWorks entered into a Purchase and Sale Agreement for the Northwest Manors II with the current owner.

Northwest Manors II was financed and operated for the last 40 years under the Housing and Urban Development (HUD) 236 loan program by the local non-profit organization. Two project-based Section 8 Housing Assistance Payments (HAP) contracts provide rental subsidies to all tenants. The HUD 236 loan matured and was paid off in 2014. Community HousingWorks is requesting a 20 year extension of the HAP contract at market rents and will apply a 4% low income housing tax credits in the May 2015 round. The project's affordability restrictions under the HUD 236 loan program regulatory agreement have expired. Under the proposed financing structure, the Project's affordability restrictions would be extended by 55 years.

Despite the buildings being in relatively well-maintained condition for their age, the 50+ years old properties have not had a major renovation and are in need of capital upgrades. Additionally, both sites will benefit from modern energy efficiency and sustainability upgrades that will significantly reduce operating expenses and reduce the impact on the environment. A relocation plan has been prepared in accordance with the requirements of the Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs (URA) in the event that tenants need to be temporarily or permanently relocated.

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 and promote the quality of life and the local economy. This action also extends the Project's affordability restrictions by 55 years.

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 II housing project by Community Preservation Partners, LLC. This approval is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

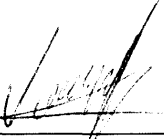
There is no fiscal impact as a result of this action nor will it have any indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action. The adoption of the Resolution approving the project and the issuance of the bonds 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 East Mountain Housing Associates, L.P. to be established by Community Housing Works, LLC (the "Borrower") . 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

Prepared by:



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Deputy Director of Finance/City Treasurer

Approved by:



MICHAEL J. BECK
City Manager