

# Agenda Report

June 19, 2017

**TO:** Honorable Mayor and City Council

**FROM:** Director of Finance

**SUBJECT: TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA) HEARING AND ADOPTION OF A RESOLUTION APPROVING THE ISSUANCE OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY REVENUE BONDS (FRONT PORCH COMMUNITIES AND SERVICES), SERIES 2017 IN AN AGGREGATE AMOUNT NOT TO EXCEED \$175,000,000 FOR THE PURPOSE OF FINANCING AND REFINANCING THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, RENOVATION AND EQUIPPING OF A SENIOR LIVING COMMUNITY AND CERTASIN OTHER MATTERS RELATED THERETO**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to 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. Hold a TEFRA hearing and adopt a resolution approving the issuance of the California Statewide Communities Development Authority (CSCDA) Revenue Bonds (Front Porch Communities and Services), Series 2017 in an aggregate amount not to exceed \$175,000,000 for the purpose of financing and refinancing the acquisition, construction, improvement, renovation and equipping of a senior living community and certain other matters relating thereto.

## **BACKGROUND:**

Front Porch Communities and Services (“Front Porch”) is a premier nonprofit developer, owner and operator of market rate senior housing communities, primarily in the Southern California area. These continuing care retirement communities (“CCRCs”), some of which have been in operation for more than 100 years, serve a variety of income levels and the full continuum of care and currently provide services to more than 3,000 residents. Front Porch provides support, financial and otherwise, to organizations engaged in housing, health and human services, education and research, and sponsors affordable housing communities. Their mission is “meeting needs through excellence in health and human services.”

Front Porch and its subsidiaries employ more than 2,200 employees in the various Front Porch communities. Front Porch provides a warm and friendly place to live along with personal care for many residents in their independent living, assisted living, memory care and care center accommodations. CARING Housing Ministries (CHM), a wholly owned subsidiary of Front Porch, develops and manages affordable housing for more than 2,300 people, including families and children, who are economically, physically, mentally or developmentally challenged. Each year, Front Porch provides services to residents with limited means and benefits to the broader community.

### **Plan of Finance**

Front Porch Communities and Services expects to issue a maximum par amount of \$175 million in long term, fixed-rate, tax-exempt bonds through the California Statewide Communities Development Authority. Approximately \$103 million of bond proceeds will be used to refinance outstanding fixed rate bonds issued in 2007 and variable rate bonds issued in 2012 and 2015. The remainder of the bond proceeds will: 1) help fund certain capital improvements at various Front Porch communities; and 2) pay for costs of issuance related to the proposed Series 2017 bonds. Front Porch currently maintains a BBB+ credit rating from Standard & Poors Corporation.

Bond proceeds will fund capital improvements and refinance debt associated with three existing Front Porch communities: Villa Gardens, Wesley Palms; and Walnut Village.

**Villa Gardens**, constructed in 1987 and located in Pasadena, California, is licensed as an RCFE. The campus includes 190 independent living units and 39 assisted living units. All of the assisted living units and 23 of the independent living units were constructed in 1998. There is an adjacent skilled nursing community, the Villa Gardens Health Center, which was constructed in 1990 and is licensed for 54 skilled nursing beds.

**Wesley Palms**, constructed in 1962 and located in San Diego, California, is licensed as a residential care facility for the elderly (“RCFE”). The campus contains 231

independent living units and 49 assisted living units. Wesley Palms is in the middle of a six year comprehensive renovation and construction plan.

**Walnut Village**, constructed in 1950 and located in Anaheim, California, is licensed as an RCFE. Walnut Village finished a complete renovation, reconstruction and repositioning project in 2009. Residential facilities consist of 149 independent living units, 9 cottages and 14 assisted living units, for a total of 172 independent and assisted living units. An adjacent skilled nursing community, Walnut Village Care Center, is licensed for 99 skilled nursing beds.

The benefits of the proposed Series 2017 bonds will accrue to the current residents of their communities through: 1) lower interest cost on outstanding fixed rate debt; 2) a more stable capital structure by refunding outstanding variable rate debt to a long term, fixed interest rate; and 3) funding much needed projects that will help sustain and improve Front Porch's operations.

#### **Requested Actions by the City of Pasadena, City of San Diego and City of Anaheim**

Since the Villa Gardens project is located in the City of Pasadena, California (the "City"), Section 147(f) of the Internal Revenue Code of 1986 requires that, for the Bonds to be issued by CSCDA on a tax-exempt basis, the issuance of the Bonds must be approved by resolution of the City Council of the City of Pasadena, California, as an "applicable elected representative" of the governmental unit having physical jurisdiction over the site of the Project, following a public hearing with respect to the Project and the Bonds, and preceded by notice of publication in a newspaper of general circulation in the City. Similarly, a TEFRA hearing is scheduled for San Diego City Council's agenda on June 20<sup>th</sup>, 2017 for the Wesley Palms project related to this financing. Also, a TEFRA hearing for the Walnut Village project is scheduled on City of Anaheim's Council meeting on June 20<sup>th</sup>, 2017 related to this proposed financing.

#### **COUNCIL POLICY CONSIDERATION:**

This action supports the City Council's strategic goal to maintain fiscal responsibility.

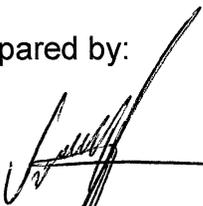
**FISCAL IMPACT:**

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 Code. The proposed obligation to be issued by CSCDA will be the sole responsibility of Front Porch Communities and Services, the Developer. The City of Pasadena will have no financial or legal obligation for the tax exempt status of the Bonds, the debt service on the Bonds, or any other matter related to the Bonds.

Respectfully submitted,

  
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Director of Finance  
Department of Finance

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