

# Agenda Report

April 15, 2024

**TO:** Honorable Mayor and City Council

**FROM:** Department of Finance

**SUBJECT: TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA) HEARING AND RESOLUTION FOR THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY (CMFA) FOR THE BENEFIT OF THE GREEN HOTEL IN OLD PASADENA**

## **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 California Environmental Quality Act (CEQA) as defined in section 15378(b)(4) of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Adopt a Resolution of the City Council of the City of Pasadena approving the issuance of the California Municipal Finance Authority (CMFA) Exempt Facility Bonds in an aggregate principal amount not to exceed \$80,000,000 for the purpose of financing or refinancing the acquisition, rehabilitation, improvement, and equipping of the Green Hotel and certain other matters related thereto.

## **BACKGROUND:**

The Green Hotel housing project is the acquisition and rehabilitation of a seven-story historical hotel located in the City of Pasadena, Los Angeles County, California. The property was built in 1898 and consists of 99 studios, and 39 one-bedroom units for residents earning less than 50% Area Median Income (AMI). There is one studio manager unit. The property has a Project-Based Section 8 Housing Assistance Payments (HAP) Contract covering 100% of the units that expires in June 2035. Rehab efforts will include building envelope restoration, flooring, cabinets, countertops, appliances, and lighting upgrades. Amenities include a community building with a kitchen, computer lab, multipurpose room, and library. Outdoor amenities include a playground and tot lot. This financing will preserve 138-units of affordable housing for the residents of Pasadena for another 55-years.

The Borrower, Green Hotel Community Partners, LP, has requested that the CMFA adopt a plan of financing providing for the issuance of tax-exempt housing revenue bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Internal Revenue Code of 1986 (the “Code”) in an aggregate principal amount not to exceed \$80,000,000 to finance or refinance the acquisition, rehabilitation, improvement, and equipping of a multifamily rental housing project located at 50 E. Green Street, Pasadena, California.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City must conduct a public hearing (the “TEFRA Hearing”) that provides 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.

The CMFA was created on January 1, 2004, pursuant to a joint exercise of powers agreement to promote economic, cultural, and community development through the financing of economic development and charitable activities throughout California. To date, over 300 municipalities, including the City of Pasadena, have become members of CMFA.

The CMFA was formed to assist local governments, non-profit organizations, and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA’s representatives and its board of directors have considerable experience in bond financings.

#### **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:**

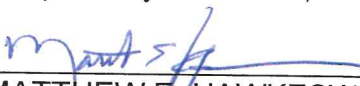
The proposed action is the approval of the tax-exempt financing for the acquisition and rehabilitation of the existing property. Bond Counsel for the CMFA has advised the City that this action is not a “project” pursuant to the California Environmental Quality Act (“CEQA”) in accordance with State CEQA Guidelines Section 15378(b)(4). This section of the State CEQA Guidelines excludes from the definition of “project” any government funding mechanism or other government fiscal activities, which do not involve any commitment to any specific project, which may result in a potentially significant impact to the environment. Bond Counsel for the CMFA has advised that the funding mechanism here does not approve of or commit The Green Hotel to any particular project, and only provides a funding mechanism for the improvement and rehabilitation of the senior housing apartments.

**FISCAL IMPACT:**

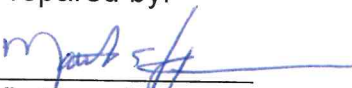
This action requires the CMFA or The Green Hotel as part of the proposed financing, to reimburse staff and outside counsel for their time. There is no anticipated impact to other operational programs or capital projects as a result of this action. The adoption of the Resolution approving the project 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 CMFA will be the sole responsibility of The Green Hotel. 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. The Bonds will contain clear disclaimers that the Bonds are not obligations of the City or the State of California but are to be paid for solely from funds provided by the borrower. In addition, CMFA and/or The Green Hotel will provide indemnification to the City consistent with this lack of financial or legal obligation to the City.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the “Foundation”), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. It is expected that approximately \$10,000, a portion of the issuance fee attributable to the City, will be granted by the CMFA to the General Fund. Such grant may be used for any lawful purpose of the City. In addition to the estimated \$10,000 grant to the City, the City will receive another \$10,000 representing the TEFRA fee that it charges on such transactions.

Respectfully submitted,

  
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