



City of Culver City

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Staff Report

File #: 16-207, Version: 1

Item #: PH-3.

CC - PUBLIC HEARING - (1) Conduct a Public Hearing Pursuant to the Requirements of Tax and Equity Fiscal Responsibility Act and the Internal Revenue Code of 1986, as Amended; (2) Adoption of a Resolution to Approve the Issuance of Revenue Bonds by the California Municipal Finance Authority to Assist in the Financing or Refinancing of Culver City Rotary Plaza Senior Apartments located at 5100 Overland Avenue, Culver City, California; and (3) Approve the Deposit of Approximately \$13,000 in Issuance Fees to the Culver City Housing Authority for the Creation of Affordable Housing Opportunities.

Meeting Date: 09/12/2016

Contact Person/Dept: Tevis Barnes/CDD-Housing

Phone Number: (310) 253-5782

Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☐ No ☒

Public Hearing: ☒ **Action Item:** ☐ **Attachments:** ☒

Commission Action Required: Yes ☐ No ☒ **Date:**

Public Notification: Master E-Mail Notification List (09/07/16), Culver City News (08/11/2016 through 09/08/2016), and Culver City Observer (08/11/2016 through 09/08/2016).

Department Approval: Sol Blumenfeld, Community Development Director (09/06/16)

RECOMMENDATION:

Staff recommends the City Council:

1. Conduct the public hearing under the requirements of Tax and Equity Fiscal Responsibility Act (TEFRA) and the Internal Revenue Code of 1986, as amended; and

2. Adopt a Resolution approving the issuance of revenue bonds by the California Municipal Finance Authority (CMFA) for the benefit of the Culver City Housing Partners, LP, a California limited partnership created by Retirement Housing Foundation a California nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, or a subsidiary or affiliate thereof (Borrower), to provide for the financing in an amount not to exceed \$30,000,000 (Bond) to assist in the financing or refinancing of the acquisition, rehabilitation and development of the Culver City Rotary Plaza Senior Apartments (Project). Such adoption is solely for the purposes of

satisfying the requirements of TEFRA, the Internal Revenue Code and California Government Code Section 6500; and

Approve the deposit of approximately \$13,000 in issuance fees to the Culver City Housing Authority for the creation of affordable housing opportunities.

PROCEDURE:

1. Mayor seeks motion from the City Council to receive and file the affidavits of publication and posting of notices, and correspondence received in response to the public hearing notices (Attachment Nos.2 and 3); and
2. Mayor calls for a staff report and the City Council Members may pose questions to staff as desired; and,
3. Mayor seeks a motion to open the public hearing; and,
4. Mayor seeks a motion to close the public hearing after all public testimony has been presented; and,

The City Council discusses the item and arrives at its decision.

BACKGROUND:

In 1982, to effectuate the Redevelopment Plan for the Overland-Jefferson Redevelopment Project Area No. 2, the former Culver City Redevelopment Agency (CCRA) entered into a Development and Disposition Agreement (DDA) with Retirement Housing Foundation for the purchase of former CCRA-owned land in the amount of \$800,000 to create Culver City Rotary Plaza Senior Apartments. Culver City Rotary Plaza Senior Apartments is a 100 unit, age and disability restricted, rental housing development. As part of the DDA, these units are encumbered by income and affordability covenant restrictions for low-income households. The income and affordability covenant restrictions expire in 2022.

Retirement Housing Foundation requested that the CMFA serve as the municipal issuer of the Bonds in an aggregate principal amount not to exceed \$30,000,000 of tax-exempt revenue bonds. The proceeds of the Bonds will be used for the acquisition, rehabilitation and development of the age restricted (62+) rental housing development commonly known as Culver City Rotary Plaza Senior Apartments located at 5100 Overland Avenue, in the City of Culver City, California (Project), to be owned and operated by the Borrower.

DISCUSSION:

TEFRA Hearing

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Culver City must conduct a public hearing (TEFRA Hearing) providing for 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, an “applicable elected representative” of the governmental unit hosting the Project must provide its approval of the issuance of the Bonds for the financing of the Project.

California Municipal Finance Authority

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 240 municipalities, including the City of Culver City, 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. The CMFA strives to maintain a fee structure that is lower than other bond issuers. Annual fees are based on the outstanding balance of the bonds at the anniversary of bond issuance, not the original balance. This results in considerable savings over time when issuing amortizing debt. In addition to lower borrowing costs, CMFA, partners with the local community through fee sharing which can be used to support affordable housing programs.

Public Notification

Rotary Plaza Senior Apartments residents were notified of the public hearing on July 12, 2016, pursuant to the requirements under TEFRA. Public notices were published in both the Culver City News and the Culver City Observer during the period of August 11th, 2016 through September 8th, 2016.

Extension of Income and Rent Restrictions

Rotary Plaza is encumbered by rent and income restrictions until 2022. The original covenant expiration date of 2022 will be extended by an additional 55 years with the issuance of the bond. Through the Rotary Plaza Senior Apartments, the City will be able to continue to provide 100 units of affordable rental housing for senior and disabled households until 2077.

FISCAL ANALYSIS:

There is no fiscal impact associated with this item. The debt issued by the CMFA will be the sole responsibility of the Culver City Housing Partners, LP and the City will have no financial or legal obligation or responsibilities with regard to the repayment of the debt. All financing documents will carry disclaimers that the loan is not an obligation of the City. In addition, the City will bear no costs in the issuance of the proposed debt. This is a private loan with the borrower and their bank.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (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. With respect to the City of Culver City, it is expected that that a portion of the

issuance fee attributable to the City will be granted by the CMFA to the general fund of the City. Such grant may be used for any lawful purpose of the City including support of affordable housing programs.

The estimated portion of the issuance fees to be received by the City is approximately \$13,000. Staff recommends that the Council approve the deposit of these funds to the Culver City Housing Authority to support affordable housing programs.

ATTACHMENTS:

1. Resolution approving the issuance of the California Municipal Finance Authority Revenue Bonds
2. Proof of Publication - Culver City News
3. Proof of Publication - Culver City Observer
4. Notice to Tenants - TEFRA

MOTION:

That the City Council:

1. Conduct the public hearing under the requirements of Tax and Equity Fiscal Responsibility Act and the Internal Revenue Code of 1986, as amended; and
2. Adopt a Resolution approving the issuance of the bonds by the California Municipal Finance Authority (CMFA) for the benefit of Culver City Housing Partners, LP to provide for the financing in an amount not to exceed \$30,000,000 to assist in the financing or refinancing of the acquisition, rehabilitation and development of the Culver City Rotary Plaza Senior Apartments, such adoption is solely for the purposes of satisfying the requirements of TEFRA, the Internal Revenue Code and California Government Code Section 6500; and
3. Approve the deposit of approximately \$13,000 in issuance fees to the Culver City Housing Authority for the creation of affordable housing opportunities.