



STAFF REPORT
12/11/2019

TO: Honorable Mayor and City Council Members

FROM: Luis Lopez, J.D., Development Services Director
Celina Jimenez, Grants Manager

SUBJECT: Adopt Resolution No. 2019-70 and Conduct a Public Hearing under the Tax and Equity Fiscal Responsibility Act (“TEFRA”) In Connection with the Proposed Issuance of Revenue Bonds by the California Municipal Finance Authority (the “CMFA”), a Joint Exercise of Powers Authority and Public Entity of the State of California, in an Amount Not to Exceed \$40,000,000, (the “Bonds”), to Finance or Refinance the Acquisition, Construction, Improvement and Equipping of a 105-unit Multi-Family Rental Housing Project Located at the Northeast Corner of 6th Street & Cesar Chavez Street, Coachella, California (the "Project").

STAFF RECOMMENDATION:

Staff recommends that the City Council adopt Resolution No. 2019-70 and conduct a public hearing under the Tax and Equity Fiscal Responsibility Act (“TEFRA”) in connection with the proposed issuance of revenue bonds by the California Municipal Finance Authority (the “CMFA”), a joint exercise of powers authority and public entity of the State of California, in an amount not to exceed \$40,000,000, (the “Bonds”), to finance or refinance the acquisition, construction, improvement and equipping of a 105-unit multifamily rental housing project located at the Northeast Corner of 6th Street & Cesar Chavez Street, Coachella, California (the "Project"). Such adoption is solely for the purposes of satisfying the requirements of TEFRA, the Code and the California Government Code Section 6500 (and following).

BACKGROUND:

The California Municipal Finance Authority was organized on August 12, 2004 under the provision of the Joint Exercise of Powers Act of the Government Code of the State of California. The CMFA is a joint powers authority created to strengthen local communities by promoting economic development and charitable activities throughout the state of California. With the goal of giving back to California communities, the CMFA assists local governments, non-profits and businesses with the issuance of taxable and tax-exempt financing aimed at improving the standard of living in California. Members of the CMFA include towns, cities, counties and special districts within California.

The CMFA is committed to promoting economic and social programs in its member communities. The CMFA shares a minimum of 25% (approximately \$13,000) of all issuance fees collected directly with its member communities, and donates at a minimum another 25% to the California Foundation for Stronger Communities (Foundation), a blended component unit of the CMFA, for the support of local charities designated by its member agencies. The CMFA acts as a municipal conduit issuer and assists eligible institutions in obtaining financing through the issuance of revenue bonds. The bonds are special, limited obligations of the CMFA, payable solely from the revenues of the projects and other funds of the borrowers.

Tax-exempt bond financing is a proven low-cost method of raising capital. The CMFA provides access to this market for qualified borrowers by acting as the conduit issuer. Eligible costs for a CMFA financing may include the purchase of land, project design costs, construction, rehabilitation, improvement, equipment purchase and installation and legal fees. Up to 2% of the proceeds of a CMFA bond offering may be used to pay the cost of issuing bonds, such as for underwriter's and legal fees. Also, the CMFA can issue taxable bonds to cover any additional costs of issuance or for additional undertakings that are not tax-exempt.

DISCUSSION/ANALYSIS:

The City has received a request from Chelsea Investment Corporation for the 6th & Cesar Chavez CIC, LP, a partnership of which Chelsea Investment Corporation (the "Developer") or a related person to the Developer will be the general partner. The request is that the CMFA adopt a plan of financing providing for the issuance of exempt facility bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Internal Revenue Code of 1986 (the "Code") in one or more series from time to time, and at no time to exceed \$40,000,000 in aggregate principal amount, to finance or refinance the acquisition, construction, improvement and equipping of a 105-unit multifamily rental housing project located at the Northeast Corner of 6th Street & Cesar Chavez Street, Coachella, California.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Coachella must conduct a public hearing (the "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.

FISCAL IMPACT:

The Bonds to be issued by the CMFA for the Project will be the sole responsibility of the Borrower, and the City will have no financial, legal, moral obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project. All financing documents with respect to the issuance of 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.

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. With respect to the City of Coachella, 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 (approximately \$13,000). Such grant may be used for any lawful purpose of the City.

ALTERNATIVES:

1. Adopt Resolution No. 2019-70 and Conduct a Public Hearing under the Tax and Equity Fiscal Responsibility Act (“TEFRA”) In Connection with the Proposed Issuance of Revenue Bonds by the California Municipal Finance Authority (the “CMFA”), a Joint Exercise of Powers Authority and Public Entity of the State of California, in an Amount Not to Exceed \$40,000,000, (the “Bonds”), to Finance or Refinance the Acquisition, Construction, Improvement and Equipping of a 105-unit Multi-Family Rental Housing Project Located at the Northeast Corner of 6th Street & Cesar Chavez Street, Coachella, California (the "Project").
2. Continue this matter and provide staff with direction.
3. Take no action.

RECOMMENDED ALTERNATIVE:

Staff recommends Alternative #1 above.

Attachments: Resolution No. 2019-70
 Notice of Public Hearing