



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Grant Yates, City Manager

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Date: March 12, 2019

Subject: Issuance of Tax Exempt Bonds for the Cottages at Mission Trail
and Resolution Approving the Issuance of Bonds

Recommendation

adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE APPROVING THE ISSUANCE BY THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY OF MULTIFAMILY HOUSING REVENUE BONDS FOR THE COTTAGES AT MISSION TRAIL APARTMENTS

Background

On August 8, 2017, the City Council approved Resolution No. 2017-101 approving the issuance of bonds by the California Statewide Communities Development Authority (CSCDA) not to exceed \$25,000,000, for financing the acquisition, construction and equipping of a 143-unit multifamily rental housing project generally known as the Cottages at Mission Trail. Bond counsel to the CSCDA has requested the City Council to renew its approval of the issuance of the proposed multi-family housing revenue bonds.

As proposed, the CSCDA will serve as the municipal issuer of tax-exempt multi-family housing revenue bonds in an aggregate principal amount not to exceed \$25,000,000 (Bonds). The proceeds of the Bonds will be used for the purpose of making a loan to the Developer/Borrower, to finance the acquisition, construction and equipping of a 143-unit affordable multifamily housing rental project commonly known as Cottages at Mission Trail located at the intersection of Mission Trail and Sedco. The project will be owned and operated by the Borrower.

In addition to Bond proceeds, the project will be funded by a City loan from pledged low and moderate income housing funds pursuant to the Summerly DDA, low and moderate income housing asset funds and Fund 106 – affordable housing in lieu fees. The City Council approved

the loan commitment on June 13, 2017 and, although the project has experienced unexpected delays, the project financing is expected to close within the next thirty (30) days. The City finance team and lenders representing the various funding sources are finalizing their review and analysis of the project proforma. Modifications, if any, to the City's loan commitment will be presented to the City Council at its March 26, 2019 City Council meeting.

Discussion

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Lake Elsinore (City) must conduct a public hearing (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. Adoption of the Resolution is solely for the purposes of satisfying the requirements of the Tax Equity and Fiscal Responsibility Act (TEFRA), the Internal Revenue Code and the California Government Code Section 6500 *et seq.* 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. The attached public notice was published on February 26, 2019.

CSCDA is a joint powers authority sponsored by the League of California Cities (League) and the California State Association of Counties (CSAC). CSCDA was created by the League and CSAC in 1988 to enable local government and eligible private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth and improve the overall quality of life in local communities throughout California. CSCDA is comprised of more than 530 members, including the City of Lake Elsinore. CSCDA has issued more than \$60 billion through 1,400 plus financings since 1988.

Fiscal Impact

There is no fiscal impact to the City. The Bonds will be issued as limited obligations of CSCDA, payable solely from revenues and receipts derived from a loan to be made by CSCDA to the Borrower with the Bond proceeds. The City bears no liability with respect to the issuance of the Bonds. Further, the City is not a party to any of the financing documents related to the Bond issuance and is not named in any of the disclosure documents describing the Bonds or the proposed financing.

Exhibits

- A - Resolution Approving Issuance of Bonds
- B - Notice