

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ANGELA MORGAN, PROGRAM SPECIALIST II
HOUSING AND COMMUNITY SERVICES DEPARTMENT
SUBJECT: TEFRA PUBLIC HEARING AND ISSUANCE OF BONDS BY THE
CALIFORNIA MUNICIPAL FINANCE AUTHORITY IN AN
AGGREGATE AMOUNT NOT TO EXCEED \$465 MILLION FOR
AURORA SANTA ROSA HOSPITAL - 1265 THROUGH 1287
FULTON ROAD AND 2598 GUERNEVILLE ROAD

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Council: 1) conduct a public hearing under the requirements of the Tax Equity and Fiscal Responsibility Act of 1982 and the Internal Revenue Code of 1986, as amended; and 2) by resolution, approve the issuance of tax exempt 501(c)(3) revenue bonds by the California Municipal Finance Authority in an aggregate amount not to exceed \$465 million to finance the acquisition, construction, renovation and equipping of the Aurora Santa Rosa Hospital, a mental health facility located at 1265 through 1287 Fulton Road and 2598 Guerneville Road, Santa Rosa.

EXECUTIVE SUMMARY

The issuance of tax exempt, private activity bonds must be approved by the jurisdiction that the project is located within following a public hearing. QCF/I, Inc., a 501(c)(3) nonprofit healthcare organization ("Borrower") has selected the California Municipal Finance Authority ("CMFA"), a joint-powers authority of which the City is a member, to be the issuer of revenue bonds for hospital facilities known as the Aurora Santa Rosa Hospital, located at 1265 through 1287 Fulton Road and 2598 Guerneville Road (the "Project"), in an aggregate amount not to exceed \$465 million, and has requested that the City Council conduct a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"). A public hearing is required to issue bonds and for the Borrower to finance the project. All financial obligations of the bond issuance are the responsibility of the Borrower.

BACKGROUND

Aurora Santa Rosa Hospital is a 95-bed mental health treatment center for adolescents and adults with a full suite of services to promote long-term recovery. The Project is located at 1265 through 1287 Fulton Road and 2598 Guerneville Road, Santa Rosa, CA 95401, APN's 034-110-090, 134-110-089, and 034-110-049 (Attachment 1).

The Borrower selected CMFA to issue the bonds and, as required by Section 147(f) of the Internal Revenue Code of 1986, the Borrower is requesting that the City Council conduct the TEFRA public hearing (Attachment 2). CMFA is a joint powers agency that promotes economic, cultural and community development, through the financing of economic development and charitable activities, including the issuance of taxable and tax-exempt bonds aimed at improving the standard of living throughout California. The City Council approved joining CMFA as an additional member on January 1, 2004.

The bond proceeds will be used for acquisition, construction, renovation and/or equipping of Aurora Santa Rosa Hospital, and related facilities, including funding reserves and funding capitalized interest and the costs of issuance of the bonds. On November 16, 2021, City Council previously approved the issuance of tax-exempt bonds to the project in an aggregate amount of \$430 million. Due to COVID-19 related delays, the project was unable to close on the bond financing within one year of City Council approval. Pursuant to tax code Section 147(f) public approval is required within one year of the issuance date; bonds were not issued within one year and a new public hearing is required.

PRIOR CITY COUNCIL REVIEW

On November 16, 2021, City Council held a public hearing and approved the issuance of tax-exempt bonds in an aggregate amount of \$430 million by California Municipal Finance Authority to finance the acquisition, construction, renovation and equipping of the Aurora Santa Rosa Hospital.

ANALYSIS

Aurora Santa Rosa Hospital is being financed with tax-exempt bonds issued by CMFA.

The issuance of tax exempt, private activity bonds must be approved by the jurisdiction that the project is located within following a public hearing in accordance with Internal Revenue Code requirements. A TEFRA public hearing provides a reasonable opportunity for interested individuals to express their views on the proposed issuance of bonds and the location and nature of the proposed project to be financed.

Without the approval or the TEFRA public hearing, the project cannot be financed with tax-exempt bonds. On November 16, 2021, City Council approved the issuance of tax-exempt bonds for the project but due to COVID-19 related delays, the project was

unable to close on the bond financing. Pursuant to tax code Section 147(f) public approval is required within one year of the issuance date; bonds were not issued within one year and a new public hearing is required.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on the General Fund. The bonds and the obligation to pay principal and interest, as well as any redemption premium, will not constitute indebtedness or an obligation of the City. The City will not have any obligation to repay the bonds or to acquire, construct, improve, equip or operate the Project.

Financing documents with respect to the issuance of the bonds will contain clear disclaimers that the bonds are not obligations of the City but are to be paid for solely from funds provided by the Borrower. All financial obligations for the bonds and all fees and costs associated with the bonds will be the sole responsibility of the Borrower.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378 in that the issuing of bonds would not have a significant impact on the environment. However, at the time of future development proposals, additional environmental analysis may be required to analyze the potential environmental impacts associated with specific development projects and uses proposed at specific locations.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

A public hearing notice was published in the Press Democrat on December 27, 2022.

ATTACHMENTS

- Attachment 1 – Site Photo and Aerial
- Attachment 2 – Request from QCF/I, Inc. for the TEFRA public hearing
- Resolution

CONTACT

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