

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: MEGAN BASINGER, DIRECTOR, HOUSING AND COMMUNITY SERVICES
SUBJECT: TEFRA PUBLIC HEARING AND ISSUANCE OF BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY IN AN AGGREGATE AMOUNT NOT TO EXCEED \$30 MILLION FOR BENNETT VALLEY APARTMENTS – 702 & 716 BENNETT VALLEY ROAD AND 921 & 927 RUTLEDGE AVENUE

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 1983 and the Internal Revenue Code of 1986, as amended; and 2) by resolution, approve the issuance of tax exempt multifamily housing revenue bonds by the California Municipal Finance Authority in an aggregate amount not to exceed \$30 million to finance and refinance the acquisition, construction, development and equipping of Bennett Valley Apartments, a 62-unit affordable housing project located at 702 & 716 Bennett Valley Road and 921 & 927 Rutledge Avenue within the City of 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. Freebird Bennett Valley LLC (the "General Partner"), an affiliate of Freebird Development Company, LLC (the "Sponsor"), on behalf of Bennett Valley Housing Partners, L.P., 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 an affordable housing development known as Bennett Valley Apartments, located at 702 & 716 Bennett Valley Road and 921 & 927 Rutledge Avenue (the "Project"), in an aggregate amount not to exceed \$30 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 developer to finance the project. All financial obligations of the bond issuance are the responsibility of the developer.

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BACKGROUND

Bennett Valley Apartments, located on the site of the former Bennett Valley Senior Center, is a 62-unit multifamily affordable housing development with a 51% unit set aside for homeless individuals and households. The Project will provide 32 units targeted to households with incomes up to 30% of Area Median Income (“AMI”), 29 units targeted to household incomes up to 50% AMI, and one non-restricted manager unit. The Project is located at 702 & 716 Bennett Valley Road and 921 & 927 Rutledge Avenue, Santa Rosa, CA 95404, (Attachment 1).

On May 10, 2021 the Housing Authority of the City of Santa Rosa (Authority) awarded Bennett Valley Apartments \$5.8 million dollars in local loan funds for construction related costs associated with the project. On September 13, 2021 the Authority awarded the project 30 Section 8 Project Based Vouchers dedicated to formerly homeless individuals and households.

The City Council approved Resolution No. 2022-007 on January 11, 2022 declaring the real property owned by the City located at 702 & 716 Bennett Valley Road and 921 & 927 Rutledge Avenue, Santa Rosa California as exempt surplus land, and finding that such declaration and authorization is exempt from the California Environmental Quality Act (“CEQA”).

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 will be used for the purpose of lending the proceeds thereof to the Borrower to finance and refinance the acquisition, construction, development and equipping of Bennett Valley Apartments.

PRIOR CITY COUNCIL REVIEW

On September 24, 2019 the City Council, by Resolution 2019-148, selected Freebird Development Company, LLC as the developer of the City property located at 702 & 716 Bennett Valley Road and 921 & 927 Rutledge Avenue, Santa Rosa California and authorized staff to enter into an Exclusive Negotiating Agreement.

On June 29, 2021 the City Council, by Resolution No. 2021-124, approved a Disposition and Development Agreement (DDA) for a low income housing development on City property located at 702 & 716 Bennett Valley Road and 921 & 927 Rutledge Avenue,

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Santa Rosa California with Freebird Development Company, LLC and Allied Housing Inc.

On January 11, 2022, the City Council, by Resolution No. 2022-007, declared the real property owned by the City located at 702 & 716 Bennett Valley Road and 921 & 927 Rutledge Avenue, Santa Rosa California as exempt surplus land, and finding that such declaration and authorization is exempt from Environmental Review under the California Environmental Quality Act (“CEQA”)

ANALYSIS

Housing and Community Services staff has been working on the reuse of the site since 2019 when a Request for Proposals was issued and a joint Ad-Hoc committee of Councilmembers and Housing Authority Commissioners met to review proposals and selected Freebird Development Company, LLC as the developer of the City-owned site. In 2021 the Council, by resolution approved a DDA and in early 2022 declared the site surplus land. Staff are working on the loan closing and sale of the City owned site anticipated for early April. Construction is anticipated to commence by April 30, 2023.

Bennett Valley Apartments is being financed with tax-exempt bonds issued by CMFA tax credit equity, a first mortgage loan, Renewal Enterprise District funds, Section 8 Project Based Vouchers and \$5.8 million dollars in local funds awarded by the Housing Authority of the City of Santa Rosa.

The issuance of tax exempt, private activity bonds must be approved by the jurisdiction in which the project is located 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, orally or in writing, on the proposed issue of bonds and the location and nature of the proposed project to be financed.

Without the approval or the TEFRA public hearing, the California Debt Limit Allocation Committee will not allocate tax exempt bonds to the Project which are an essential component of the Project financing.

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 and 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.

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ENVIRONMENTAL IMPACT

This action is exempt from the provisions of California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

A public hearing notice was published in the Press Democrat on March 17, 2023.

ATTACHMENTS

- Attachment 1 – Locational Graphic
- Attachment 2 – Request from Freebird Development Company, LLC for the TEFRA public hearing
- Resolution

PRESENTER

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