

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 REVENUE
BONDS BY THE CALIFORNIA MUNICIPAL FINANCE
AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT
TO EXCEED \$55 MILLION FOR DEL NIDO APARTMENTS –
850 RUSSELL 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 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 principal amount not to exceed \$55 million to finance and refinance the acquisition, rehabilitation, development, and equipping of Del Nido Apartments, 850 Russell Avenue within the City of Santa Rosa.

EXECUTIVE SUMMARY

New Del Nido, LP, a California limited partnership ("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 multifamily housing revenue bonds for Del Nido Apartments, 206 rental units, located at 850 Russell Avenue ("Project"), in an aggregate principal amount not to exceed \$55 million to finance and refinance the acquisition, rehabilitation, development, and equipping of the Project, and has requested that the City Council conduct a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act ("TEFRA") and Internal Revenue Code of 1986, as amended. A public hearing is required to provide 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. All financial obligations of the bond issuance are the responsibility of the Borrower, including without limitation the obligation to repay the Bonds and the obligations to acquire, rehabilitate and operate the Project.

BACKGROUND

Del Nido Apartments is an existing 206-unit affordable rental development consisting of extremely-low, very-low, and low-income units for households with incomes up to 30%, 50% and 60% of Area Median Income. Two unrestricted units are reserved for the resident managers. The Project is located at 850 Russell Avenue, Santa Rosa, CA 95403, APN 015-111-023 and 015-501-020 (Attachment 1).

The rehabilitation of the units in this Project is exempt from environmental review pursuant to the California Environmental Quality Act ("CEQA") Government Code Section 15301.

The Borrower selected CMFA to issue the bonds and requested that the City Council conduct a TEFRA public hearing. 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 bond proceeds in the aggregate principal amount of \$55,000,000 will be used to finance or refinance the acquisition, rehabilitation, development, and equipping of the Project. The City Council approved joining CMFA as an additional member on January 1, 2004.

PRIOR CITY COUNCIL REVIEW

Not applicable.

ANALYSIS

The issuance of tax exempt, private activity bonds must be approved by the jurisdiction 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 issuance of bonds and the location and nature of the proposed project to be financed.

Pursuant to Section 147(f) of the Code and 26 Code of Federal Regulations Section 1.147(f)-1, a project must obtain bond financing within one year of public approval.

Without the approval or the TEFRA public hearing, the project cannot be financed with tax-exempt bonds.

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, rehabilitate, develop, 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

The project has been reviewed in compliance with the California Environmental Quality Act (“CEQA”) and the rehabilitation of the units in this Project is exempt from environmental review pursuant to CEQA Guidelines Section 15301.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

A public hearing notice was published in the Press Democrat on April 5, 2024.

ATTACHMENTS

- Attachment 1 – Locational Graphic
- Attachment 2 – Request Letter for the TEFRA public hearing
- Resolution

PRESENTER

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