



AGENDA REPORT

CITY OF SAN CLEMENTE

CITY COUNCIL MEETING

910 Calle Negocio
2nd Floor
San Clemente, California
www.san-clemente.org

Meeting Date: May 21, 2024

Agenda Item: 8A

Submitted By: Finance and Administrative Services

Prepared By: Brian Brower, Administrative Services Director

Subject:

PUBLIC HEARING ON CONDUIT FINANCING FOR THE MENDOCINO AT TALEGA I APARTMENTS AFFORDABLE HOUSING PROJECT

Fiscal Impact:

None. Conduit financing is a means for private nonprofit organizations to raise capital via tax-exempt municipal bonds to fund or refinance large-scale projects that typically have a public benefit. The borrower (here, Amistad Housing Partners I LP) is solely responsible for making coupon payments to bondholders. There is no cost or financial liability to the City associated with the planned bond issuance.

Summary:

On June 6, 2001, the City entered into an affordable housing project agreement with the Jamboree Housing Corporation (Developer) for the development of 124 affordable housing rental units located at 123 Calle Amistad in San Clemente, which is known commonly as The Mendocino at Talega I Apartments (the Project). The original Project was completed in 2003.

The Developer has requested that the City conduct a public hearing under the Tax and Equity Fiscal Responsibility Act (TEFRA) in connection with the proposed issuance of tax-exempt revenue bonds by the California Municipal Finance Authority (CMFA), in an amount not to exceed \$25,000,000 (the Bonds), to enable the Borrower to refinance the Project. A TEFRA hearing is a public hearing required by the Internal Revenue Service (IRS) when a non-profit borrower intends to issue tax-exempt debt. The TEFRA hearing provides the public with an opportunity to comment on the use of tax-exempt bond proceeds by the specific borrowing institution (e.g., CMFA on behalf of the non-profit Borrower) to refinance their capital needs.

Following the public hearing, the City Council will consider a Resolution authorizing CMFA to proceed with the financing transaction. Adoption of the attached Resolution is solely for the purpose of satisfying the requirements of TEFRA, Section 147(f) of the Internal Revenue Code of 1986 and the California Government Code Section 6500 (and following). All financial obligations of the bond issuance would be the responsibility of the Borrower.

Background:

CMFA is a joint powers authority and public entity in California. It was created on January 1, 2004 pursuant to a joint exercise of powers agreement between its member agencies to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California and with the issuance of taxable and tax-exempt

bonds. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

In the anticipated transaction, CMFA is the bond issuer. The Bonds are to be issued for the benefit of Amistad Housing Partners I LP (the Borrower), a partnership of which JHC-Amistad LLC (a person related to the Developer) is the general partner. The Borrower has requested that CMFA serve as the municipal issuer of the tax-exempt revenue Bonds in an aggregate principal amount not to exceed \$25,000,000. The proceeds of the Bonds will be used to refinance the existing multifamily rental housing project located at 123 Calle Amistad, San Clemente, California (The Mendocino at Talega I Apartments).

In order for all or a portion of the Bonds to qualify as tax-exempt, a public hearing (the "TEFRA Hearing") must be held to provide the members of the community with an opportunity to speak in favor of or against the use of tax-exempt bonds for the re-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 may provide its approval of the issuance of the Bonds for the re-financing of the Project, which would allow CMFA and the Borrower to proceed with the next steps in the transaction.

The Borrower has developed a comprehensive scope of work that addresses long term capital needs within the units and the building envelope. The proposed rehabilitation activities will include some units being converted to meet American Disabilities Act compliance. The combined rehabilitation budget of \$14MM for both phases of the Talega projects will address the current property needs and position the properties to continue being an asset in the City of San Clemente.

Council Options:

- Adopt Resolution No. 24-66, which would give approval under Section 147(f) of the Internal Revenue Code for CMFA to issue bonds for the Borrower's benefit.
- Modify and adopt Resolution No. 24-66.
- Continue the item and instruct staff to bring back additional information.
- Deny Resolution No. 24-66, which would require CMFA and the Borrower to seek approval from another governmental unit (like Orange County) before proceeding with the Bond issuance.

Environmental Review/Analysis:

This is not a "project" under the California Environmental Quality Act.

Recommended Actions:

Staff Recommendation

1. Conduct the public hearing under the requirements of TEFRA and the Internal Revenue Code of 1986, as amended, hear public testimony and comment, and close the public hearing.
2. Adopt Resolution No. 24-66, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, APPROVING THE ISSUANCE OF THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY EXEMPT FACILITY BONDS FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$25,000,000 FOR THE PURPOSE OF FINANCING OR REFINANCING THE ACQUISITION, REHABILITATION, IMPROVEMENT AND EQUIPPING OF MENDOCINO AT TALEGA I AND CERTAIN OTHER MATTERS RELATING THERETO

Attachment:

1. Resolution No. 24-66
2. Public Hearing Notice

Notification:

Public Hearing Notice in the San Clemente Times
California Municipal Finance Authority
Jamboree Housing Corporation

RESOLUTION NO. 24-66

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, APPROVING THE ISSUANCE OF THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY EXEMPT FACILITY BONDS FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$25,000,000 FOR THE PURPOSE OF FINANCING OR REFINANCING THE ACQUISITION, REHABILITATION, IMPROVEMENT AND EQUIPPING OF MENDOCINO AT TALEGA I AND CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, Amistad Housing Partners I LP (the "Borrower") a partnership of which Jamboree Housing Corporation (the "Developer") or a related person to the Developer is the general partner, has requested that the California Municipal Finance Authority (the "Authority") 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 issued from time to time, including bonds issued to refund such exempt facility bonds in one or more series from time to time, and at no time to exceed \$25,000,000 in aggregate principal amount (the "Bonds"), to finance or refinance the acquisition, rehabilitation, improvement and equipping of a multifamily rental housing project located at 123 Calle Amistad, San Clemente, California (the "Project"); and

WHEREAS, pursuant to Section 147(f) of the Code, the issuance of the Bonds by the Authority must be approved by the City of San Clemente (the "City") because the Project is located within the territorial limits of the City; and

WHEREAS, the City Council of the City of San Clemente (the "City Council") is the elected legislative body of the City and is one of the "applicable elected representatives" required to approve the issuance of the Bonds under Section 147(f) of the Code; and

WHEREAS, the Authority has requested that the City Council approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 4 of the Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the "Agreement"), among certain local agencies, including the City; and

WHEREAS, pursuant to Section 147(f) of the Code, the City Council has, following notice duly given, held a public hearing regarding the issuance of the Bonds, heard and considered all comment and testimony by the public at such hearing, and now desires to approve the issuance of the Bonds by the Authority.

NOW, THEREFORE, the City Council of the City of San Clemente does hereby resolve as follows:

Section 1. The foregoing recitals are true and correct and incorporated herein.

Section 2. The City Council hereby approves the issuance of the Bonds by the Authority. It is the purpose and intent of the City Council that this Resolution constitute approval of the issuance of the Bonds by the Authority, for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f) and (b) Section 4 of the Agreement.

Section 3. The issuance of the Bonds shall be subject to the approval of the Authority of all financing documents relating thereto to which the Authority is a party. The City shall have no responsibility or liability whatsoever with respect to the Bonds.

Section 4. The adoption of this Resolution shall not obligate the City or any department thereof to (i) provide any financing to acquire or construct the Project or any refinancing of the Project; (ii) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary for the acquisition, construction, rehabilitation, installation or operation of the Project; (iii) make any contribution or advance any funds whatsoever to the Authority; or (iv) take any further action with respect to the Authority or its membership therein.

Section 5. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents that they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the financing transaction approved hereby.

Section 6. This Resolution shall take effect immediately upon its adoption.

Section 7. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED this _____ day of _____, _____.

ATTEST:

City Clerk of the City of
San Clemente, California

Mayor of the City of San
Clemente, California

STATE OF CALIFORNIA)
 COUNTY OF ORANGE) §
 CITY OF SAN CLEMENTE)

I, LAURA CAMPAGNOLO, City Clerk of the City of San Clemente, California, do hereby certify that Resolution No. 24-66 was adopted at a regular meeting of the City Council of the City of San Clemente held on the _____ day of _____, _____, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Clemente, California, this _____ day of _____, _____.

 CITY CLERK of the City of
 San Clemente, California

Approved as to form:

 Elizabeth A. Mitchell, City Attorney

NOTICE OF PUBLIC HEARING

**NOTICE IS HEREBY GIVEN THAT A PUBLIC HEARING
WILL BE HELD BY THE CITY COUNCIL OF THE
CITY OF SAN CLEMENTE, CALIFORNIA,
RELATIVE TO THE FOLLOWING:**

**ISSUANCE OF EXEMPT FACILITY BONDS FOR A QUALIFIED RESIDENTIAL
RENTAL PROJECT AT MENDOCINO AT TALEGA I, A MULTIFAMILY RENTAL
HOUSING LOCATED AT 123 CALLE AMISTAD**

NOTICE IS HEREBY GIVEN that on May 21, 2024, a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), will be held with respect to a proposed plan of financing providing for the issuance by the California Municipal Finance Authority (the "Authority") of exempt facility bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Code in one or more series issued from time to time, including bonds issued to refund such exempt facility bonds in one or more series from time to time, in an amount not to exceed \$25,000,000 in aggregate principal amount (the "Bonds"). The proceeds of the Bonds will be used to: (1) finance or refinance the acquisition, rehabilitation, improvement and equipping of Mendocino at Talega I, a multifamily rental housing project located at 123 Calle Amistad, San Clemente, California; and (2) pay certain expenses incurred in connection with the issuance of the Bonds. The facilities are to be owned by Amistad Housing Partners I LP (the "Borrower") or a partnership of which Jamboree Housing Corporation (the "Developer") or a related person to the Developer is the general partner.

The Bonds and the obligation to pay principal of and interest thereon and any redemption premium with respect thereto do not constitute indebtedness or an obligation of the Authority, the State of California or any political subdivision thereof, within the meaning of any constitutional or statutory debt limitation, or a charge against the general credit or taxing powers of any of them. The Bonds shall be a limited obligation of the Authority, payable solely from certain revenues duly pledged therefor and generally representing amounts paid by the Borrower.

Additional information concerning the above matter may be obtained from, and written comments should be addressed to Administrative Services Director at (949) 361-8200.

To allow staff adequate time to confirm software compatibility, individuals wishing to utilize electronic visual aids to supplement their oral presentations at the meeting, must submit the electronic files to the City Clerk by no later than 12:00 p.m. on the day of the meeting. Only compatible electronic formats will be permitted to be used on City audio/visual computer equipment. Staff makes no guarantee that such material will be compatible, but will use its best efforts to accommodate the request.

NOTICE IS FURTHER GIVEN that said Public Hearing will be held at the meeting of the City Council on May 21, 2024 at 6:00 p.m. in the City Council Chambers, located at 910

Calle Negocio, 2nd Floor, San Clemente. All interested persons wishing to express their views on the issuance of the Bonds or on the nature and location of the facilities proposed to be financed or refinanced may attend said public hearing, or submit written communication, to express their opinion for or against the public hearing item.

LAURA CAMPAGNOLO
City Clerk and Ex-Officio
Clerk of the Council

PROOF OF PUBLICATION

34932 Calle Del Sol, Suite B
Capistrano Beach, CA 92624
(949)388-7700
(949)388-9977 FAX

State of California
County of Orange

I am a citizen of the United States and a resident of the County aforesaid: I am over the age of 18 years, and not a party to or interested in the above-entitled matter. I am the Legal Clerk of the publisher of the San Clemente Times, a City of San Clemente, newspaper of general circulation, published weekly in the city of San Clemente, County of Orange, and which newspaper has been adjudicated as a newspaper of general circulation by the Superior Court of the County of Orange, State of California on Nov 9th, 2018, Case Number 01017680; that the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

Published in: San Clemente Times
Run dates:
May, 9, 2024

Executed: 9 day of May, A.D. 2024.

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Signature:

Natalie Nielsen

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN THAT A PUBLIC HEARING WILL BE HELD BY THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, RELATIVE TO THE FOLLOWING:

ISSUANCE OF EXEMPT FACILITY BONDS FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT AT MENDOCINO AT TALEGA I, A MULTIFAMILY RENTAL HOUSING LOCATED AT 123 CALLE AMISTAD

NOTICE IS HEREBY GIVEN that on May 21, 2024, a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), will be held with respect to a proposed plan of financing providing for the issuance by the California Municipal Finance Authority (the "Authority") of exempt facility bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Code in one or more series issued from time to time, including bonds issued to refund such exempt facility bonds in one or more series from time to time, in an amount not to exceed \$25,000,000 in aggregate principal amount (the "Bonds"). The proceeds of the Bonds will be used to: (1) finance or refinance the acquisition, rehabilitation, improvement and equipping of Mendocino at Talega I, a multifamily rental housing project located at 123 Calle Amistad, San Clemente, California; and (2) pay certain expenses incurred in connection with the issuance of the Bonds. The facilities are to be owned by Amistad Housing Partners I LP (the "Borrower") or a partnership of which Jamboree Housing Corporation (the "Developer") or a related person to the Developer is the general partner.

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LAURA CAMPAGNOLO
City Clerk and Ex-Officio
Clerk of the Council