TEFRA PUBLIC HEARING FOR THE VILLAGE EAST APARTMENTS LOCATED AT 2501 EAST LAFAYETTE STREET

RECOMMENDATION

It is recommended that the City Council adopt a resolution:

1. Approving the issuance of Multifamily Revenue bonds by California Public Finance Authority (CalPFA) in an amount not to exceed $16 million on behalf of New Village East, LP, a California limited partnership;

   Note: Bonds will not represent a debt of the City, nor do they obligate the City in any way.

2. Authorizing the City to become a member of CalPFA; and

3. Authorizing the City Manager, or his designee, to take actions necessary and appropriate to carry out the purpose and intent of the resolution.

Summary

The purpose of this hearing is to satisfy the public approval requirement of the Tax and Equity Fiscal Responsibility Act (TEFRA), Section 147(f) of the Internal Revenue Code of 1986 (Tax Code). The City Council is being asked to adopt a resolution that would approve the issuance of Multifamily Revenue Bonds by CalPFA in an amount not to exceed the aggregate principal amount of $16 million. The purpose of the bonds is to finance the rehabilitation of Village East Apartments, a 189-unit multifamily rental housing project located at 2501 East Lafayette Street (Attachment A - Vicinity Map). The rehabilitation project will be financed with the Multifamily Revenue bonds, proceeds from Four Percent Tax Credits, and a Federal Housing Administration (FHA) insured loan. There are no City funds being used. The rehabilitation project will include new roofs, exterior painting, new compressors for the air conditioners, new hot water heaters, major updates to the kitchens and bathrooms, replacing sliding glass doors, and improvements to the parking and landscaping.

The proposed bonds are not a debt of the City, nor do they obligate the City in any way. The role of the City Council in this hearing is limited to certifying the public benefit of this project for the purpose of facilitating financing for the project by CalPFA.

In order to approve the bond issuance by CalPFA, the City must become a member. CalPFA is a recently formed public finance authority that was created for the purpose of issuing tax-exempt and taxable conduit bonds for public and private entities throughout California. There is no cost to the City to become a member and the City incurs no liability or risk.
DISCUSSION

Background

New Village East, LP, a limited partnership between The John Stewart Company, an affordable housing developer and management company and Affordable Housing CDC (AHCDC), a non-profit affordable housing organization, will be acquiring the Village East Apartments and are proposing a major rehabilitation of the property. The apartments were constructed in 1964 and underwent a substantial rehabilitation in 2004, but are now in need of additional repairs. The proposed rehabilitation, with an estimated total cost of $10.2 million, will update the units and a number of major systems within the buildings and will bring the property into compliance with the requirements of the U.S. Department of Housing and Urban Development (HUD) for FHA financed projects. Work to be completed includes new roofs, sliding doors, air conditioner compressors, hot water heaters, repainting of the exterior, new kitchen cabinets, countertops, sinks, disposals and appliances, new toilets, bathroom vanities and fans, and improvement to the parking and landscaping.

To finance the rehabilitation, New Village East is proposing a combination of funds, including Multifamily Revenue bonds, proceeds from Four Percent Tax Credits, and a FHA-insured loan. There is no City funding being provided for the rehabilitation project.

Present Situation

To assist with the rehabilitation project, New Village East, LP has requested approval from the Stockton City Council for CalPFA to issue Multifamily Housing Revenue bonds in an amount not to exceed an aggregate of $16 million. The TEFRA Act, Section 147 (f) of the Tax Code, requires that before bonds can be issued, the local jurisdiction in which a project to be financed with bonds is located must; 1) conduct a public hearing and 2) approve the issuance of the bonds. The City Council is being asked to hold such public hearing, which has been noticed as required and the proposed resolution would act as the required approval.

As announced in the published notice, this hearing is simply an opportunity for all interested persons to speak to or submit written comments on the proposal to issue the debt and the public benefit of the rehabilitation project. There is no obligation on the part of the City Council to respond to any specific comments made or submitted.

Other than holding the required TEFRA hearing and adopting the required resolution, no other participation or activity of the City is required. The bonds will not represent a debt of the City, nor do they obligate the City in any way. The role of the City Council in this hearing is limited to certifying the public benefit of this project for the purpose of facilitating financing for the project by CalPFA.

As a condition of issuing the bonds, CalPFA is requiring that the City become an Additional Member of the finance authority. CalPFA was created in May 2015 by Kings County and the Housing Authority of Kings County and currently has seven members. In addition to Kings County and the Housing Authority of Kings County, the members include Marin County, the town of Los Altos Hills, and the cities of Inglewood, Compton, and Santa Ana. The finance authority that was created for the purpose of issuing tax-exempt and taxable conduit bonds for public and private entities throughout California as a means of financing projects that promote economic, cultural, and community
development opportunities that create temporary and permanent jobs, affordable housing, community infrastructure and improve the overall quality of life in local communities. CalPFA is administered by the Kings County Board of Supervisors. There is no cost to become a member, and the City may be eligible to receive a portion of the annual administrative fees paid by the property owner to CalPFA to off-set staff costs associated with the project.

Public Notice

The legal notice for the TEFRA public hearing is required to be advertised at least 15 days in advance. The notice for this hearing was published on March 13, 2016, in The Record.

FINANCIAL SUMMARY

The City has no financial liability as a result of approving the issuance of the bonds for the Village East Apartments. Authorizing the issuance of the bonds does not create any financial obligations, but only serves as a public acknowledgement by the local jurisdiction of the project financing.

The City’s membership in the CalPFA bears no cost or other obligation.

Attachment A - Vicinity Map