



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: MARCH 19, 2019

DEPARTMENT: FINANCE

FROM: MATT N. PRESSEY, CPA, FINANCE DIRECTOR

TITLE: TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA)
HEARING TO CONSIDER THE ISSUANCE OF TAX-EXEMPT
BONDS BY CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY (CSCDA) FOR THE SALINAS
POINTE APARTMENTS

RECOMMENDED MOTION:

A motion to approve a resolution approving the issuance of multifamily housing revenue bonds by the CSCDA for the purpose of financing the acquisition and rehabilitation of the Salinas Pointe Apartments (the “Project”) located in the City of Salinas by KDF Communities.

RECOMMENDATION:

Staff recommends that the City Council conduct a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act and following such public hearing approve a resolution approving the issuance of tax-exempt bonds in an amount not-to-exceed \$35 million for the Project.

EXECUTIVE SUMMARY:

The California Statewide Communities Development Authority (CSCDA), a joint exercise of powers authority of which the City is a member, has been asked by KDF Communities to serve as the conduit issuer of tax-exempt bonds for the Salinas Pointe Apartments affordable housing project in the City of Salinas. CSCDA may not approve the bond financing unless and until the City Council approves the bond issuance after conducting a public hearing (referred to as a “TEFRA hearing”).

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) mandates a public accountability procedure involving the legislative body of a local agency in which a proposed project (to be funded with tax-exempt bonds) is located. The TEFRA hearing is intended to provide members of the community an opportunity to speak on behalf of or against the proposed project. Once the TEFRA hearing has been conducted, the City Council is then asked to adopt a resolution approving the issuance of tax-exempt bonds for the project.

The bonds will be issued as limited obligations of CSCDA, and the City will have no liability with respect to the bonds or any role to play in the bond issuance other than the TEFRA hearing.

BACKGROUND:

KDF Communities is one of the largest developers and owners of affordable family and senior housing developments in California. KDF has been involved in the construction, acquisition and rehabilitation of more than 5,300 affordable rental units in 44 properties throughout California.

Located at 1260 John Street in the City of Salinas, the Project contains 220 units, 164 of which are restricted to low-income tenants. KDF Communities purchased the property in 2002 and is now seeking funding to rehabilitate the Project. As the Project's tax credit compliance period of 15 years has ended, it is allowable under federal IRS rules for the Project to receive a new bonds and tax credits to rehabilitate the property. The affordability covenants for the Project will be extended for an additional 55 years.

The rehabilitation will include the common area amenities and improvements to the units.

The common are improvements include:

- Pool: New plaster & tile
- Pool Equipment: New pool equipment
- Pool Fence – New pool fence
- BBQ's: Six new BBQ's with ash containers
- Playground: Repair worn parts on systems and replace all bark
- Leasing Office: Interior remodel & furniture upgrade
- Laundry Room Rehab: New floor and lights; repairs as needed
- Public Area ADA Improvements

Improvements to the units include:

- Appliances: 100% replacement of refrigerators and dishwashers (dishwashers only available in all electric units)
- Wall Heaters & Baseboard Heaters - Replace 90% of heaters (10% were replaced recently)
- Hot Water Heaters: Replace 11 of the 14 water heaters on site (3 were recently replaced) & Raypack boiler
- Tub Replacement: Replace Tubs & Surrounds in 50 Units
- ADA Improvements in 17 Units

In 2002, the City provided a loan of \$1.8 million loan from the Salinas Redevelopment Agency. The loan is still outstanding. As part of the purchase and initial rehabilitation, \$10,750,000 in multifamily revenue bonds were issued by California Statewide Communities Development Authority and will be paid off at time of Transfer, which is expected to occur around July 1, 2019.

The Agency loan has a due date of June 1, 2058 and has not been repaid. Section 2.6 of the Loan Agreement states that “All principal and accrued interest on the Loan shall be due on the earlier to occur of (i) the date of any Transfer not authorized by the Agency, (ii) the date of any Default, or (iii) the end of the Term of this Agreement. A KDF-controlled LLC is currently the Co-General Partner and will be replaced by another KDF-controlled LLC. The Managing Partner Affordable Housing Access, Inc. will continue to be the Managing General Partner and VPM Management, Inc will continue to be the property manager. With the ownership structure staying intact KDF would like to submit a separate formal request to the City/Agency to extend the loan beyond the date of the Transfer.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

STRATEGIC PLAN INITIATIVE:

This approval will help meet the City Council’s Strategic Plan goal of Economic Diversity and Prosperity, Safe, Livable Community, and Quality of Life.

DEPARTMENTAL COORDINATION:

The Finance Department has worked with the Community Development Department Housing Division.

FISCAL AND SUSTAINABILITY IMPACT:

None. The bonds will be issued as limited obligations of CSCDA, payable solely from revenues and receipts derived from the Project. The City bears no liability with respect to the issuance of the bonds. Further, the City is not a party to any of the financing documents related to the bond issuance and is not named in any of the disclosure documents describing the bonds or the proposed financing.

ATTACHMENTS:

1. Resolution – Approving the Issuance of Multifamily Housing Revenue Bonds
2. Request Letter from CSCDA
3. Salinas Pointe Application
4. Proof of Publication of the Notice