



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: FEBRUARY 25, 2020

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:

Conduct a Public Hearing in accordance with the Tax Equity and Fiscal Responsibility Act, and 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. A previous TEFRA for the Project was conducted and approved by this Council on March 19, 2019. The bond issuance has been delayed and a TEFRA hearing is only valid for one year. Thus, in an abundance of caution the request is to

conduct a new TEFRA today. The bonds for this project are expected to be issued in March or April.

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.

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 action will meet the City Council 2020-2023 strategic planning goal of Investment Strategies/Risk Management, which addresses the City's housing challenges and invests in existing facilities.

DEPARTMENTAL COORDINATION:

The Finance Department coordinated and worked with the Community Development Department Housing staff on this project.

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.