City of Grass Valley
City Council and Redevelopment Agency
Agenda Action Sheet

Council Meeting Date: May 27, 2008          Date Prepared: May 14, 2008

Prepared by: Joe Heckel, Community Development Director
              Jeri Amendola, Housing and Economic Development Specialist

Title: TEFRA hearing on Star Development LLC request for tax exempt bonds to
       acquire, finance and rehabilitate multi-family rental housing units in Grass Valley

Agenda: Public Hearing and approve Resolutions 08-____ and 08-____.

Recommended Motion: Conduct public hearing as required by the Tax Equity and Fiscal
Responsibility Act of 1982 (TEFRA); and 1) adopt two resolutions approving the financing of up to
$13 million in tax exempt bonds (the “Bonds”) for Star Development LLC for the purpose of
acquiring and rehabilitating three existing multi-family rental properties; and 2) approve the City
Administrator to execute the Joint Powers Agreement with the California Statewide Communities
Development Authority (the “Issuer”).

Background Information: Star Development LLC has applied to the California Statewide
Communities Development Authority to obtain financing for the acquisition and rehabilitation of
the Grass Valley Terrace, Valley View Apartments, and Valley Common Apartments multi-family
housing rental units. The three apartment complexes collectively consist of 168 units will provide
affordable housing for low income households, those whose income is sixty percent (60%) or less
of the County median income. Star Development LLC has submitted two applications, one for
Grass Valley Terrace and Valley View Apartments, and another for the Valley Common
Apartments. In order for the tax-exempt debt to be issued in Grass Valley, the City must conduct an
advertised public hearing (“TEFRA”) describing the proposed project and become a member of this
Joint Powers Authority. Tax-exempt bond revenue is used to fund the development of low-income,
multi-family rental housing projects. The City has previously conducted TEFRA hearings to
support the issuance of tax exempt bonds for projects having community benefit. Most recently, the
City approved by resolution the financing of tax-exempt bonds for the Springhill Gardens
Apartment, on February 26, 2008, at the request of Pacific West Communities, Inc. (PWCI) and
Central Valley Coalition for Affordable Housing, Inc. (CVCAHI) to apply to the California Debt
Limit Allocation Committee. The City’s participation in the Joint Powers Authority has no fiscal
impact to the City, except that the City shall benefit from the fees, permits and tax increments
associated with acquisition and rehabilitation of the project.

Funds Available: Not Applicable          Account #: N/A

Route to be Reviewed by:

      ___ City Administrator      ___ Community Development      ___ Finance

Action:

      ___ Approved
      ___ Denied
      ___ Approved with Modifications
      ___ Other
TO: Members, City Council

FROM: Joe C. Heckel, Community Development Director
Jeri Amendola, Housing and Economic Development Specialist

SUBJECT: TEFRA hearing on Star Development LLC and California Statewide Communities Development Authority request for tax exempt bonds to acquire, finance and rehabilitate 168 units of existing multi-family affordable housing rental units located within the Grass Valley Terrace, Valley View Apartments and Valley Commons, 275 Dorsey Drive, 115 E. Berryhill Drive, and 1444 Segsworth Way in Grass Valley

RECOMMENDATION: Conduct public hearing as required by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA); and 1) adopt two resolutions approving the financing of up to $13 million in tax exempt bonds (the “Bonds”) for Star Development LLC for the purpose of acquiring and rehabilitating three existing multi-family rental properties; and 2) approve the City Administrator to execute the Joint Powers Agreement with the California Statewide Communities Development Authority (the “Issuer”)

BACKGROUND: The City Council is being asked to adopt two resolutions and authorize the execution of two bond applications for three existing apartment complexes in Grass Valley. The two resolutions approve the financing by the California Statewide Communities Development Authority (CSCDA) of up to $10 million in tax exempt bonds to fund the acquisition and rehabilitation of the Grass Valley Terrace and Valley View Apartments located at 275 Dorsey Drive and 115 E. Berryhill Drive and up to $3 million in tax exempt bonds to fund the acquisition and rehabilitation of the Valley Commons complex. The purpose of the resolutions is to allow the financing to meet a requirement of the Internal Revenue Code of 1986 and constitutes the first step in the process of financing these bond measures. The City has previously conducted TEFRA hearings to support the issuance of tax exempt bonds for projects having community benefit with the most recent examples being a request to acquire and rehabilitate the Springhill Garden Apartments on February 26, 2008.

The Internal Revenue Code of 1986 requires that the “applicable elected representatives” of the jurisdiction in which a project to be financed through this bond measure is situated adopt a resolution approving the issuance of such bonds after holding a public hearing. The proposed resolution would act as the approval by the “applicable elected representatives” with respect to the proposed Project. As announced in the published notice, this hearing is simply an opportunity for all interested persons to speak or to submit written comments concerning the proposal to issue the debt and the nature or location of the multi-family rental projects. There is no obligation on the part of the City Council to respond to any specific comments made or submitted.

The City would not be a party to the financing documents. As set forth in Section 9 of the Amended and Restated Joint Exercise of Powers Agreement of CSCDA, the debt would not be
secured by any form of taxation, or by any obligation of either the City or CSCDA. Neither would the debt represent or constitute a general obligation of either the City or CSCDA. Pursuant to the governing California statutes and the JPA Agreement, a member of CSCDA is not responsible for the repayment of obligations incurred by CSCDA. The debt would be payable solely from amounts received pursuant to the terms and provisions of financing agreements to be executed by the Developer of the proposed facility. In the financing documents the Developer will also provide comprehensive indemnification to CSCDA and its members, including the City.

The City’s membership in the Authority bears with it no cost or other financing obligation, but serves as a public acknowledgement by the host jurisdiction of the project financing. The background on the financing approach proposed for purchasing and rehabilitating these rental units is attached as an exhibit.

Approval of the attached resolution constitutes an approval of the financing, although as previously mentioned, it does not commit the City to any fiscal liability. Star Development LLC agrees to record deed restrictions for a term of 55 years, which will serve to meet the City’s Redevelopment Agency State Law Requirements. In approving this action, the City would be able to protect and enhance existing affordable housing projects. In addition, the financing package would complete needed rehabilitation of the project estimated at approximately $4.3 million in labor and materials alone. The rehabilitation effort consists of new siding, roofing, painting, appliances, cabinets, ADA compliance upgrades and replacement or repair of electrical, mechanical and plumbing features. City staff has worked with the developer to ensure that the labor and materials for this rehabilitation effort shall be first offered to local contractors and suppliers (See attached letter).

**FISCAL IMPACT:** The proposed action merely serves as an endorsement of the financing. There is neither cost to the City, nor financial or legal exposure. The City will not be under any obligation to repay the bond indebtedness nor will the City be named in the bonds except to reference where the project is located. In addition, CMFA will provide the funding to cover any costs for noticing this meeting and staff time involved with this action.

If you have any questions, please do not hesitate to contact us.