



AGENCY: City Council
MEETING DATE: November 25, 2019
DEPARTMENT: City Manager
PRESENTED BY: Tabatha Miller
EMAIL ADDRESS: tmiller@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

Receive Report, Conduct Public Hearing, and Consider Adopting a City Council Resolution Authorizing the Execution of a Joint Exercise Powers Agreement Relating to the California Municipal Finance Authority and Approving the Issuance of Revenue Bonds by the Authority for the Purpose of Financing or Refinancing the Acquisition, Construction and Improvement of Certain Facilities for the Benefit of Fort Bragg South Street LP

ISSUE:

Fort Bragg South Street LP which is a Danco Group (the "Developer") project has requested that the California Municipal Finance Authority (CMFA) 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, and not to exceed \$22,000,000 in aggregate principal amount, to finance the acquisition, construction, improvement and equipping of a multifamily rental housing project located at 441 South Street, Fort Bragg, California.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Fort Bragg must conduct a public hearing (the "TEFRA Hearing") providing members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the 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 must provide its approval of the issuance of the Bonds for the financing of the Project.

ANALYSIS:

CALIFORNIA MUNICIPAL FINANCE AUTHORITY

The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. To date, over 300 municipalities have become members of CMFA.

The CMFA was formed to assist local governments, non-profit organizations and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

EXECUTION OF THE JOINT EXERCISE OF POWERS AGREEMENT

In order for the CMFA to have the authority to serve as the issuer of the bonds for the Project, it is necessary for the City of Fort Bragg to become a member of the CMFA. Attached is a copy of the Joint Exercise of Powers Agreement to be executed by the Mayor of the City.

The Joint Exercise of Powers Agreement provides that the CMFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing such agreement.

The Bonds to be issued by the CMFA for the Project will be the sole responsibility of the Borrower, and the City will have no financial, legal, moral obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project. All financing documents with respect to the issuance of the Bonds will contain clear disclaimers that the Bonds are not obligations of the City or the State of California but are to be paid for solely from funds provided by the Borrower.

There are no costs associated with membership in the CMFA and the City will in no way become exposed to any financial liability by reason of its membership in the CMFA. In addition, participation by the City in the CMFA will not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA hearing, adopting the required resolution and executing the Joint Exercise of Powers Agreement of the CMFA, no other participation or activity of the City or the City Council with respect to the issuance of the Bonds will be required.

The Joint Exercise of Powers Agreement expressly provides that any member may withdraw from such agreement upon written notice to the Board of Directors of the CMFA. In the case of the proposed bond financing for the Borrower, the City following its execution of the Joint Exercise of Powers Agreement, could, at any time following the issuance of the Bonds, withdraw from the CMFA by providing written notice to the Board of Directors of the CMFA.

RECOMMENDED ACTION:

1. Conduct the public hearing under the requirements of TEFRA and the Internal Revenue Code of 1986, as amended (the "Code").
2. Adopt the Resolution approving the issuance of the Bonds by the CMFA for the benefit of Fort Bragg South Street LP (the "Borrower"), to provide for the financing of the Project, such adoption is solely for the purposes of satisfying the requirements of TEFRA, the Code and the California Government Code Section 6500 (and following). The Resolution will also authorize the Mayor to execute the Joint Exercise of Powers Agreement with the CMFA.

ALTERNATIVE ACTION(S):

Do not conduct the public hearing or adopt the Resolution. The impact of not taking the recommended action is that The Danco Group will not be able to obtain tax exempt

funding through the CMFA and such inaction will likely result in the project not being constructed in Fort Bragg, in the near term future.

FISCAL IMPACT:

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the “Foundation”), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City of Fort Bragg, it is expected that that a portion of the issuance fee attributable to the City will be granted by the CMFA to the general fund of the City. Such grant may be used for any lawful purpose of the City.

GREENHOUSE GAS EMISSIONS IMPACT:

Construction of the 68-unit affordable housing project will temporarily increase greenhouse gas emissions as the result of the construction activity.

CONSISTENCY:

Support for the Fort Bragg South Street LP is consistent with the City Council’s goal of adding two hundred new housing units to the local community.

IMPLEMENTATION/TIMEFRAMES:

N/A

ATTACHMENTS:

1. Att. 1 – Resolution
2. Att. 2 – Public Hearing Script
3. Att. 3 - Joint Exercise of Powers Agreement

NOTIFICATION:

1. Chris Dart, Danco Group,
2. Affordable Housing,