

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Luke Watson, Deputy City Manager

DATE: November 23, 2021

SUBJECT: Conduct Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing Approving Tax-Exempt Bonds for the Rancho Las Bolsas Project (Rancho Highlands), Located at 43519, 43513 and 43602 West Ventana Street (Adjacent to 28250 Ynez Road) and Approving Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority

PREPARED BY: Luke Watson, Deputy City Manager

RECOMMENDATION: That the City Council:

1. Conduct a public hearing under the requirements of TEFRA and the Internal Revenue Code of 1986, as amended (the “Code”); and
2. Adopt a resolution approving the issuance of the bonds by the California Municipal Finance Authority (CMFA) for the benefit of Ynez Road Housing Partners, L.P. (the “Borrower”), a partnership of which Jamboree Housing Corporation (the “Developer”) or a related person to the developer is the general partner, to provide for the financing of the project, for the sole purposes of satisfying the requirements of TEFRA, the Code and California Government Code Section 6500 et seq., entitled:

RESOLUTION NO. 2021-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF A JOINT EXERCISE OF 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 YNEZ ROAD HOUSING PARTNERS, L.P.

BACKGROUND: The Borrower (Ynez Road Housing Partners, L.P.) requested that the California Municipal Finance Authority (CMFA) serve as the municipal issuer of the Bonds in an aggregate principal amount not to exceed \$20,000,000 of tax-exempt revenue bonds. The proceeds of the Bonds will be to finance or refinance the acquisition, construction, improvement and equipping of a multifamily rental housing project, Rancho Las Bolsas (Rancho Highlands), to be located at 43519, 43513 and 43602 W. Ventana Street, (adjacent to 28250 Ynez Road), Temecula, California.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Temecula must conduct a public hearing (the “TEFRA Hearing”) providing for the 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. The City of Temecula will not occur any debt as a part of this process.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY (CMFA):

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 330 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 Temecula to become a member of the CMFA. Attached to this report is a copy of the Joint Exercise of Powers Agreement to be executed by a designated signatory 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.

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 Temecula, it is expected 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.

ATTACHMENTS:

1. Resolution
2. CMFA Joint Exercise of Powers Agreement
3. Notice of Public Hearing