



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Treasurer-Tax Collector
Department No.: 065
For Agenda Of: 3/10/2020
Placement: Departmental
Estimated Time: 5 Minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Harry E. Hagen, CPA, CPFA, CPFO, CFIP, CGIP, ACPFIM
Director(s) Treasurer-Tax Collector
805-568-2490
Contact Info: Kim Tesoro, CPA, CPFO, CFIP, CGIP
Assistant Treasurer-Tax Collector
805-568-2153

SUBJECT: California Enterprise Development Authority Financing of Tax-Exempt
Obligations for the Benefit of The Turner Foundation – Since 1958

County Counsel Concurrence

As to form: Yes

Other Concurrence:

Debt Advisory Committee

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A) Hold a public hearing in compliance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) regarding the California Enterprise Development Authority's plan to issue tax-exempt obligations for the benefit of The Turner Foundation – Since 1958; and
- B) Adopt a resolution of the Board of Supervisors of the County of Santa Barbara approving the issuance by the California Enterprise Development Authority of its revenue obligations for the benefit of The Turner Foundation – Since 1958 in an aggregate amount not to exceed \$18,000,000 for the purpose of financing and refinancing the cost of the acquisition, construction, rehabilitation, equipping and furnishing of certain property, providing the terms and conditions for such obligations and other matters relating thereto; and
- C) Determine that the above actions involve government funding mechanisms and/or fiscal activities and are not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(4) of the CEQA Guidelines.

Summary Text:

Federal law provides a process for a qualified 501(c)(3) organization to participate in a tax-exempt financing under Section 147(f) of the Internal Revenue Code. In order for the obligations of such financing to be tax-exempt, the Tax and Equity Fiscal Responsibility Act of 1982 (TEFRA), requires the legislative body of the local agency in which the project will be located to hold a TEFRA hearing, following reasonable public notice, at which time the public shall be provided an opportunity to present arguments for or against the issuance of the obligations. Thereafter, TEFRA requires that such legislative body approve the issuance of such obligations.

The California Enterprise Development Authority (CEDA), as the issuer of tax-exempt obligations for the benefit of The Turner Foundation – Since 1958, has requested that the Santa Barbara County Board of Supervisors hold the required TEFRA hearing. The County has the limited role of approving the financing, but is not a party to the issuance and assumes no liability by its approval.

This item was considered by the Santa Barbara County Debt Advisory Committee on February 27, 2020 and was approved for recommendation to the County Board of Supervisors to hold the TEFRA hearing. The DAC requested certain financing documents be presented to the Board, however these documents are not attached because CEDA’s representatives stated that they are confidential.

Background:

CEDA and The Turner Foundation – Since 1958 have provided the following information regarding the project:

The California Enterprise Development Authority (CEDA) is a joint powers authority (JPA) established by the California Association for Local Economic Development (CALED) whose purpose is to issue tax-exempt and taxable conduit revenue bonds to fund commercial and industrial development projects within member jurisdictions. Federal and state laws provide the ability for cities and counties to join together under cooperative agreements to form joint powers authorities to issue tax-exempt and taxable bonds to fund projects that provide a public benefit and serve the needs of residents within the jurisdictions of the participating members. All cities and counties in California have the ability to act as an issuer of conduit revenue bonds, but many jurisdictions utilize joint powers authorities primarily for economies of scale, to access specialized transaction knowledge and resources, and to avoid using valuable local staff time on these types of transactions.

CEDA is a joint powers authority created by the cities of Selma, Lancaster and Eureka. There are more than 200 additional cities and counties who are associate members of CEDA, including the counties of Alameda, Imperial, Marin, Placer, Riverside, Sacramento, San Bernardino, Santa Clara, San Diego, San Francisco, Stanislaus, Sonoma, Ventura and Yolo. Pursuant to Resolution No. 10-288, adopted on October 26, 2010, the County of Santa Barbara became an associate member of CEDA. CEDA’s activities are dedicated to providing economic development assistance to member jurisdictions as an extension of the economic development assistance provided by CALED to its members.

Federal law requires a public hearing before the Board of Supervisors prior to any bond issuance by CEDA for projects under the County’s jurisdiction. If the Board of Supervisors does not approve the project, CEDA cannot issue bonds.

THE TURNER FOUNDATION – SINCE 1958

The Turner Foundation – Since 1958 (the “Turner Foundation”) is a California nonprofit public benefit corporation and an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Turner Foundation’s mission is to serve the community by owning and operating safe and affordable low-income apartment communities, as well as providing programs and services to the residents of the communities.

The Turner Foundation, formerly the Rose Garden Village Foundation, was founded in 1958 by Rev. Dr. Albert J. Turner, beginning a legacy of service to those who are in need. At that time, the needs of the elderly were the organization’s primary concern. For 45 years the Rose Garden Village was a staple of ‘service to seniors’ in Riverside, California. At the same time, the United States government adopted Section 231 of the Federal Housing Administration (HUD), which provided for the underwriting of retirement homes for the elderly. Rev. Turner’s Rose Garden Senior Living haven was the first project in the nation under that act.

In January 2006, the Turner Foundation purchased a 70-unit affordable housing complex, The Village of Santa Barbara, in Santa Barbara, California to provide housing and housing related services to low income families in Santa Barbara County, and has been operating the property continuously since that time. The Turner Foundation seeks to care for people by providing a safe, comfortable, and affordable living environment. By providing services on-site in a village setting, the Turner Foundation serves the residents in unique ways, develops a sense of community, and reduces the problems and tensions often associated with an affordable housing facility.

The Turner Foundation purchased its second apartment complex in Santa Barbara’s West Side in 2014 – just a mile from “The Village of Santa Barbara”. Under the guidance of Dr. Wilson, the 45-unit former San Pascual Apartments has been transformed into “The Lighthouse.”

In addition to providing housing to low-income individuals, the Turner Foundation also conducts programs for youth including a tutoring program offering academic support and enrichment opportunities, a music program and a summer program.

CEDA will loan the proceeds of the Obligations to Turner Foundation to (a) finance and refinance the costs of acquisition, construction, installation, rehabilitation, equipping and furnishing of low income housing and related facilities including (i) up to \$11,000,000 of the proceeds of the Obligations to be applied towards a 70-unit affordable housing complex, a learning center, a community center, a community garden, and ancillary and related facilities located at 518-524 West Canon Perdido Street and 924 San Pascual Street, Santa Barbara, California 93101, and (ii) up to \$9,000,000 of the proceeds of the Obligations to be applied towards a 45-unit affordable housing complex and ancillary and related facilities located at 1502 San Pascual Street, Santa Barbara, California 93101 (collectively, the “Facilities”), and (b) pay certain costs of issuance in connection with the financing. Because the Facilities are located within the County’s jurisdiction and interest on the Obligations may be tax-exempt, a public hearing and the approval of the Obligations by the Board of Supervisors is required by the Code.

The loan to value ratio will not be more than 65%. Based on the most recent appraisals and the amount of the proposed loan, the loan to value ratio would be approximately 57%. The following schedule details the proposed uses of funding for the proposed refinancing:

Loan Amount Village

MBT Refi	\$ 9,075,783
MBT prepay (3%)	\$ 272,273
City of SB refi	\$ 270,925
Proposed Improvements	\$ 25,000
Bond Issuance (2%)	\$ 192,380
Total Village	\$ 9,836,361

Loan Amount Lighthouse

MBT Refi	\$ 7,479,668
MBT prepay (3%)	\$ 224,390
City of SB refi	\$ 275,000
Proposed Improvements	\$ 25,000
Bond Issuance (2%)	\$ 159,581
Total Lighthouse	\$ 8,163,639

Total Proposed Debt **\$ 18,000,000**

The refinancing is projected to generate savings of approximately \$443,000 per year for the first two years, and approximately \$45,000 per year thereafter. The financing is being undertaken for the sole purpose of reducing its debt service over the long-term and utilizing the debt service savings to expand its after school tutoring and music programs for residents of the housing projects. A small amount of the proceeds may be used for deferred maintenance at the projects. No proceeds can or will be utilized for any working capital purposes of The Turner Foundation – Since 1958. Members of the Board of Directors are not compensated for his/her service as a board member.

Fiscal and Facilities Impacts:

Budgeted: N/A **Fiscal Analysis:**

There is no financial impact to the County. CEDA will act as issuer and perform all of the necessary legal and administrative responsibilities associated with the financings. The Obligations are special, limited obligations of CEDA payable solely through the repayment of the loans from CEDA which repayment is used to pay the principal of and interest on the Obligations. The Obligations issued by CEDA are not an obligation of the County or any member of CEDA. Neither the faith or credit, nor the taxing power of the County, any member of the Authority, the State or any political subdivision is pledged to the repayment of the Obligations.

Special Instructions:

Please return one signed original resolution to the Treasurer-Tax Collector, Attention: Kim Tesoro

Attachments:

- A. Resolution of the Board of Supervisors of the County of Santa Barbara approving the issuance by the California Enterprise Development Authority of its revenue obligations for the benefit of The Turner Foundation – Since 1958
- B. Kutak Rock memo

Authored by:

Kim Tesoro, Assistant Treasurer-Tax Collector, x82153

cc: