



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: 3/9/2021
Placement: Departmental
Estimated Tme: 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 Municipal Finance Authority Financing of Tax-Exempt Private
Activity Bonds on Behalf of Peoples’ Self-Help Housing

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Debt Advisory Committee

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 issuance by the California Municipal Finance Authority (CMFA) of tax-exempt private activity bonds, to finance and refinance Peoples’ Self-Help Housing’s multifamily rental housing facility for low-income households located in Isla Vista, and consider public comment; and
- B) Adopt a resolution of the Board of Supervisors of the County of Santa Barbara approving the issuance of multifamily housing revenue bonds by the California Municipal Finance Authority in an aggregate principal amount not-to-exceed \$16,100,000 to finance and refinance a multifamily rental housing facility for low-income households, for the benefit of Peoples’ Self-Help Housing Corporation or an affiliate thereof, and certain 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. 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. 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 the TEFRA hearing in order for the bonds to be tax-exempt.

The California Municipal Finance Authority (CMFA), as the issuer of tax-exempt bonds for Peoples' Self-Help Housing, has requested that the Santa Barbara County Board of Supervisors hold the required TEFRA hearing.

Peoples' Self-Help Housing is a 501(c)(3) organization and will use the proceeds to help finance the acquisition, rehabilitation, improvement and equipping of a 56-unit multifamily rental housing facility for low-income households (the "Project"), located in the County of Santa Barbara (the "County") at 6650 Abrego Road, 6660 Abrego Road and 6651 Picasso Road, in the unincorporated community of Isla Vista.

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 contained statements of confidentiality and are therefore not attached.

A TEFRA hearing was held and a resolution approved by the Board of Supervisors for this project on March 10, 2020. However, the TEFRA is valid for only one year and the Project financing will not be closed prior to the current TEFRA expiration.

The delay in the original anticipated closing was caused by a delay in receiving a tax-exempt bond allocation award from the California Debt Limit Allocation Committee. There are currently more projects applying for tax-exempt bond allocation than is available to be awarded each application round. This project did not receive a bond allocation award on the first attempt which delayed the timing of the financing, but now has received the award and is anticipating closing the financing on May 10, 2021.

The aggregate principal amount not-to-exceed \$16,100,000 to finance and refinance a multifamily rental housing facility has not changed from the original amount approved by the Board on March 10, 2020.

Background:

CMFA and Peoples' Self-Help Housing have provided the following information regarding the project:

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 300 municipalities, including the County of Santa Barbara, have become members of the CMFA.

In order for the CMFA to proceed with the issuance of the tax-exempt bonds, the County, as the governmental entity having jurisdiction over the site, must (1) conduct a public hearing allowing members of the public to comment and (2) approve of the CMFA's issuance of the Bonds on behalf of the Borrower.

The County's approval of the issuance of the Bonds by the CMFA would be solely for the purposes and in accordance with Section 147(f) of the Internal Revenue Code and Section 4 of the Agreement. The Bonds would not constitute an indebtedness or obligation of or involve a pledge of the faith and credit of the County. The issuance of the Bonds would be subject to the approval by CMFA of all financing documents relating thereto to which the Authority is a party. The County shall have no responsibility or liability whatsoever with respect to the Bonds. The approval by the County of the issuance of the Bonds is neither an approval of the underlying credit issues of the proposed project, nor an approval of the financial structure of the Bonds. The County makes no express or implied opinion or recommendation about the transaction, revenue streams, disclosure, or repayment structure related to the Bonds.

Peoples' Self-Help Housing Corporation

Peoples' Self-Help Housing Corporation (PSHH) is a national award-winning non-profit organization that creates affordable housing and self-sufficiency programs on California's Central Coast; San Luis Obispo, Santa Barbara, and Ventura Counties.

The mission of PSHH is to provide affordable housing and programs leading to self-sufficiency for low-income families, seniors and other special needs groups on California's Central Coast.

In 1970 in San Luis Obispo, California, a small group of people and local community leaders were concerned about the lack of affordable housing available to low-income and special needs households. The group learned of a federally sponsored program available to non-profit sponsors to finance the construction of owner built low-income housing. The group incorporated to form Peoples' Self-Help Housing. Since then, the organization has built over 1,100 "sweat equity" and nearly 1,400 affordable rental units. They operate 30 affordable housing complexes in San Luis Obispo, Santa Barbara and Ventura counties. PSHH has helped over 1,150 first time home buyers build and purchase their first home (residents contribute over 2,000 hours of "sweat equity" in building their home).

The Isla Vista Apartments consist of three (3) apartment structures located at 6650 and 6660 Abrego Road and 6651 Picasso Road in the unincorporated south coast area of Santa Barbara County. Isla Vista Apartments has 56 units: the unit breakdown is 24 one-bedroom, 16 two-bedroom and 16 three-bedroom units. These apartments currently serve low-income families and farmworkers, and currently, all apartment units are occupied. Residents will be subject to temporary and permanent relocation during the course of the rehabilitation, and a certified relocation consultant is currently addressing a relocation plan.

The Isla Vista Apartments need major rehabilitation in order to ensure long-term viability of the assets, but more importantly to ensure the residents safe and sanitary housing. The apartments' solar hot water systems and double pane windows, and the rehabilitation will include target energy improvements to meet Tax Credit Allocation Committee requirements. All appliances will meet energy star ratings at minimum.

The following schedule details the proposed sources and uses of funding for the proposed refinancing and was reviewed by the DAC on February 27, 2020:

SOURCE OF ALL FUNDS TO DEVELOP PROJECT	Amount	Grant or Loan	Pending/Firm	Est. Closing date
Construction Loan	\$12,385,820	Loan	Pending	July 2020
Assumed Soft Debt	\$1,752,952	Loan	N/A	N/A
Seller Notes	\$5,105,881	Loan	N/A	N/A
Investor Capital Contributions	\$830,731	Loan	N/A	N/A
GP Capital	\$1,000,712	Loan	N/A	N/A
Def Dev. Fee, Perm Loan Cost, Reserves	\$2,589,510	Loan	N/A	N/A
TOTAL DEVELOPMENT COSTS	\$23,665,579			
PERMANENT FINANCING (RENTAL HOUSING)	Amount	Int. Rate	Term	Est. Closing date
1 st Mortgage (Tranche A)	\$5,490,000	3.73%	15	N/A
County HOME	\$1,000,000	N/A	N/A	N/A
Assumed Soft Debt	\$1,752,952	N/A	N/A	N/A
Seller Notes	\$5,105,881	N/A	N/A	N/A
Investor Capital Contributions	\$8,307,308	N/A	N/A	N/A
Deferred Developer Fee	\$773,670	N/A	N/A	N/A
GP Capital	\$1,000,712	N/A	N/A	N/A
Existing Reserves Contribution	\$235,082	N/A	N/A	N/A
TOTAL	\$23,665,579			
TAX CREDITS	Est. Credits	Est. Equity	Equity Partner	Est. Closing Dt
Application Date: <u>May 2020</u>	\$8,564,240	\$8,307,308	N/A	July 2020

The sources of funding/financing information have been updated to reflect the current anticipated funding sources. This updated information has not been reviewed by the DAC.

SOURCE OF ALL FUNDS TO DEVELOP PROJECT	Amount	Grant or Loan	Pending/Firm	Est. Closing date
Construction Loan – Tranche A	\$6,460,000	Loan	Pending	May 2021
Construction Loan – Tranche B	\$7,851,626	Loan	Pending	May 2021
Santa Barbara County – Existing Loans	\$1,449,764	Loan	N/A	N/A
Accrued Interest	\$65,239			
Seller Carryback	\$5,700,013	Loan	N/A	N/A
Accrued Interest	\$115,425	Loan	N/A	N/A
Income From Operations	\$337,902	Loan	N/A	N/A
SANTA BARBARA COUNTY – LIHAF NEW LOAN	\$500,000	Loan	Pending	N/A
GENERAL PARTNER	\$244,931	Equity	N/A	N/A
LIMITED PARTNER	2,123,396	Equity		
TOTAL SOURCES	\$24,848,296			
PERMANENT FINANCING (RENTAL HOUSING)	Amount	Int. Rate	Term	Est. Closing date
1 st Mortgage (Tranche A)	\$6,460,000	2.95%	17	N/A
County HOME	\$1,000,000	N/A	N/A	N/A
Santa Barbara County – Existing Loans	\$1,449,764	N/A	N/A	N/A
Accrued Interest	\$65,239	N/A	N/A	N/A
Seller Carryback	\$5,700,013	N/A	N/A	N/A
Accrued Interest	\$115,425	N/A	N/A	N/A

Income From Operations	\$337,902	N/A	N/A	N/A
Deferred Developer Fee	\$302,774	N/A	N/A	N/A
SANTA BARBARA COUNTY – LIHAF NEW LOAN	\$1,000,000	N/A	N/A	N/A
GP CAPITAL	\$244,931	N/A	N/A	N/A
LP CAPITAL	\$10,616,978	N/A	N/A	N/A
TOTAL	\$26,293,026			
TAX CREDITS	Est. Credits	Est. Equity	Equity Partner	Est. Closing Dt
Application Date: September 2020	\$11,416,106	\$10,616,978	Enterprise	May 2021

Performance Measure:

N/A

Fiscal and Facilities Impacts:

Budgeted: N/A

Fiscal Analysis:

There is no financial impact to the County for the tax-exempt issuance by the CMFA. The CMFA will act as the issuer and perform all of the necessary legal and administrative responsibilities associated with the financing. Peoples’ Self-Help Housing is responsible for all debt service payments. This financing does not impact the credit rating of the County.

Special Instructions:

Per the resolution, please mail one signed original to Ronald E. Lee, Esq.

Attachments:

Resolution of the Board of Supervisors of the County of Santa Barbara approving the issuance of multifamily housing revenue bonds by the California Municipal Finance Authority in an aggregate principal amount not to exceed \$16,100,000 to finance and refinance a multifamily rental housing facility for low-income households, for the benefit of Peoples’ Self-Help Housing Corporation or an affiliate thereof, and certain other matters relating thereto.

Authored by:

LeAnne Hagerty, Treasury Finance Chief - Office of the Treasurer – Tax Collector, x82498