

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 14, 2018

CAO File No. 0220-00540-1290

Council File No. 18-0303

Council District: 2

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Housing and Community Investment Department transmittal dated August 6, 2018; Received by the City Administrative Officer on August 9, 2018; Additional information received through September 6, 2018

Subject: **REQUEST FOR AUTHORITY TO ISSUE MULTIFAMILY CONDUIT REVENUE BONDS IN AN AMOUNT UP TO \$9,000,000 FOR THE HARMONY GATES HOUSING PROJECT**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Adopt the Resolution included as Attachment A to the Housing and Community Investment Department (HCID) transmittal dated August 6, 2018, which authorizes the issuance of up to \$9,000,000 in tax-exempt multifamily conduit revenue bonds for the development of the Harmony Gates Housing Project;
2. Adopt Recommendations II and III of the HCID transmittal dated August 6, 2018 relative to the issuance of tax-exempt multifamily conduit revenue bonds for the development of the Harmony Gates Housing Project; and,
3. Require that PNC Bank, N.A. fulfill the commercial bank reporting requirements of the Responsible Banking Ordinance adopted by Council on May 25, 2012 (C.F. 09-0234) prior to the execution of the bond documents.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to issue tax-exempt multifamily housing conduit revenue bonds in an amount not to exceed \$9,000,000 to finance the construction of the affordable housing development known as the Harmony Gates Housing Project (Project). The HCID indicates that the Project consists of the rehabilitation of 70 units of affordable housing including one manager unit. The subject site is located at 5220 Harmony Avenue in Council District 2. The California Debt Limit Allocation Committee (CDLAC) awarded the tax-exempt bond allocation for the Project to the City on May 16, 2018 in an amount not to exceed

\$9,000,000 and designated a November 13, 2018 issuance deadline. Subsequent to the release of the HCID transmittal, HCID staff informed this Office that the \$10,350,000 referenced represents the inducement amount that was used for the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) hearing process and is referenced for consistency with that public hearing process. HCID confirmed that the Department is only requesting the issuance of \$9,000,000 in tax-exempt multifamily conduit revenue bonds as approved by CDLAC. The subject line and recommendations of this report reference the \$9,000,000 figure for consistency with the authority granted by CDLAC. This Office concurs with the recommendations of the Department. There is no impact to the General Fund.

The City's involvement in the issuance of tax-exempt, multifamily housing conduit revenue bonds is considered true conduit financing, in which the obligation for repayment of the bonds is the responsibility of Wahmony Gates, L.P. and the City bears no financial responsibility for repayment as the issuer. There will be no impact to the General Fund. The financing is consistent with City policies regarding conduit financing.

The Council adopted a Responsible Banking Ordinance (RBO) in May 2012 (C.F. 09-0234 and C.F. 09-0234-S1). The purpose of the RBO is to create a social investment policy that reflects the community's priorities and acts as a tool when seeking financial services. PNC Bank, N.A. (PNC) is currently not in compliance with the reporting requirements of the RBO and HCID must ensure that PNC fulfills the reporting requirements of the RBO prior to the execution of the bond documents. The City has business relations with PNC; however, since the City acts only as a conduit issuer in these bond transactions and has no financial interest, the selection of the bank does not constitute City business.

FISCAL IMPACT STATEMENT

There will be no impact to the General Fund as a result of the issuance of these tax-exempt multifamily conduit revenue bonds (bonds) for the Harmony Gates Housing Project (Project). The City is a conduit issuer and does not incur liability for the repayment of the bonds, which are a limited obligation payable solely from the revenues of the Project, and the City will in no way be obligated to make payments on the bonds.

RHL:NSC:02190027C