File #: 1975-2019, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Vincent Smith, Community Development Director

Prepared By: Lark Ferrell, Housing Manager

TITLE:
Bond Financing for the Development of Manzanita Family Apartments, a Proposed 51-Unit Affordable Rental Project Located at 2951 Soscol Avenue

RECOMMENDED ACTION:
Adopt a resolution approving the issuance of revenue bonds in an aggregate principal amount not to exceed $35,000,000 by the California Municipal Finance Authority for the benefit Manzanita, L.P. (or an affiliate thereof) to finance an affordable rental housing project (a 51-unit apartment project located at 2951 Soscol Avenue) and certain other matters relating thereto and determining that the actions authorized by the resolution are exempt from CEQA.

DISCUSSION:
Satellite Affordable Housing Associates (SAHA), a nonprofit housing developer, is proposing to develop Manzanita Family Apartments, a 51-unit affordable rental project, at 2951 Soscol Avenue (the “Project”). The site was previously excess right-of-way which the City made available for affordable housing. The Project is fully entitled and would include 50 units for households earning 30%, 50% and 60% of area median income and one unrestricted manager’s unit.

SAHA is proposing to utilize up to $35,000,000 of tax-exempt bonds to help finance the Project. California Municipal Finance Authority (CMFA) would issue the bonds and lend the proceeds to SAHA or an entity created by SAHA (the “Developer”). In order for CMFA to issue tax exempt bonds, the City, as the jurisdiction in which the Project is located, must first give reasonable notice to members of the public to allow them to speak in favor or against the use of tax-exempt bonds for the Project, conduct a public hearing, and approve the issuance of the bonds.

CMFA was formed in 2004, pursuant to a joint exercise of powers agreement, 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. To date, over 310 municipalities, including the City, have become members of CMFA. The City has previously held public hearings and approved similar resolutions for CMFA for five affordable housing projects. They include Rholff’s Concordia Manor Apartments (2008), Rholff’s Manor III Apartments (2008), Alexander Crossings Apartments (2012), Oak Creek Terrace Apartments (2014) and Napa Park Homes (2016).

The issuance of the bonds would be the responsibility of CMFA. The repayment of the bonds would

be the sole responsibility of the Developer. The City would have no financial, legal, moral obligation or responsibility for the Project or the repayment of the bonds.

Although this agenda item authorizes the issuance of up to $35,000,000 in bonds, the SAHA anticipates the actual bond issue would be significantly smaller. SAHA anticipates borrowing approximately $22.8 in bond proceeds during construction. All but $2.54 million of the loan would be re-paid when the Project is complete and receives its permanent financing.

The $2.54 million loan would be leveraged with numerous other permanent financing sources. These include equity from 4% federal tax credits, Federal Home Loan Bank's Affordable Housing Program, City Housing Impact Fee funds, County housing funds, deferred developer fees, developer equity, the State National Housing Trust Fund Program, the State HOME Program, and the State Affordable Housing Sustainable Communities Program. Additionally, the City is providing land, which was previously excess right-of-way, as a 55-year deferred seller carryback loan in order to comply with tax credit requirements. The Housing Authority is also providing 20 project-based Section 8 vouchers for the project.

There is currently an estimated financing gap of $750,000 for which a potential funding source has been identified. Once this final piece of funding is secured, the Project would be ready to begin construction in late winter/early spring 2020 with occupancy anticipated in the fall of 2021.

FINANCIAL IMPACTS:
As noted above, the City will have no financial responsibility for the bonds; this issuance will not impact City appropriation limits and will not constitute any type of indebtedness of the City. CMFA typically provides a percentage of the bond issuance fee to the City. However, the amount is relatively minor and the exact amount is not yet known.

CEQA:
City staff recommends that the City Council determine that the Recommended Action is exempt from CEQA pursuant to CEQA Guidelines Section 15332 which exempts in-fill development projects.

DOCUMENTS ATTACHED:
ATCH 1- Resolution

NOTIFICATION:
A legal notice of the public hearing was published on July 29, 2019 in the Napa Valley Register. Additionally, SAHA, CMFA, and Jones Hall, bond counsel for CMFA, were all notified of the agenda item.