



DATE: June 25, 2019

TO: City Council

FROM: City Manager

SUBJECT: Public Tax and Equity Fiscal Responsibility Act Hearing as Required by the Internal Revenue Code of 1986, and Adoption of a Resolution Approving the Issuance by California Statewide Communities Development Authority of Tax-Exempt Bonds to Finance the Acquisition, Construction and Development of the Maple & Main Apartment Project

RECOMMENDATION

That Council:

1. Conducts a public hearing to consider the issuance of Tax-Exempt Multifamily Housing Revenue Bonds by the California Statewide Communities Development Authority (CSCDA) to assist in the financing of the Maple and Main Apartments.
2. Adopts the attached resolution approving the issuance by the California Statewide Communities Development Authority of Multifamily Housing Revenue Bonds for the Maple & Main Apartments (Attachment II).

SUMMARY

The City Council has been asked by developer, Maple and Main Apartments, L.P., to conduct a public hearing under the Tax and Equity Fiscal Responsibility Act (TEFRA) in connection with the proposed issuance of revenue bonds by the California Statewide Communities Development Authority (CSCDA) in an amount not to exceed \$110,000,000 for the acquisition, construction, and development of the already entitled 240-unit multifamily rental housing project located at 22330 Main Street, Hayward, California, generally known as the Maple & Main Apartment Project. This is Phase 1 of the already entitled two-phase Maple & Main development. The City entitlement of Phase 2 currently consists of the rehabilitation of 48,000 square feet of existing office space, which is not included in the proposed financing subject to Council approval this evening. Any change to the Phase 2 entitlement would be subject to Council approval at a later date.

BACKGROUND

The City Council approved the discretionary land use approvals for the Maple and Main Project on February 7, 2017. As currently entitled, the two-phase Maple and Main Project is a

mixed-use, mixed-income multifamily rental housing and office development located at 22330 Main Street, Hayward, California that is currently entitled to provide 240 units of housing, 5,500 square feet of ground floor retail space, and the rehabilitation of 48,000 square feet of existing office space. The Phase 1 Maple & Main Apartment Project consists of the 240 units of housing and 5,500 square feet of ground floor retail space, including 20% of the units being restricted for very low-income households, which exceeds the City's affordable housing ordinance requirements. The development of these units will be subsidized with Low Income Housing Tax Credits and Tax-Exempt Multifamily Revenue Bonds. The City entitlement of Phase 2 currently consists of the rehabilitation of 48,000 square feet of existing office space, which is not included in the proposed financing subject to Council approval this evening. Any change to the Phase 2 entitlement would be subject to Council approval at a later date. Because rehabilitation of the existing four-story office building on site is part of the Phase 2 entitlement, the applicant cannot demolish this building. Demolition of the other structures on site has begun.

Previously on June 13, 2017 and June 26, 2018, Council conducted TEFRA hearings for this project and adopted resolutions approving the issuance by the California State Wide Communities Development Authority of Multifamily Housing Revenue Bonds for the Maple and Main Apartments. Since the most recent TEFRA hearing on June 26, 2018, the original debt lender for the Maple & Main Apartment Project stopped lending on large mixed-income projects just before the original scheduled closing. The sponsor has worked diligently on replacing the debt provider and a new lender is being finalized.

Public approval for the issuance of these types of bonds must be obtained within one year before the issue date of the bond. The TEFRA approval obtained on June 26, 2018 is about to expire and to issue bonds to finance the project, another TEFRA hearing will need to take place prior to the scheduled closing of financing for the project, which is currently anticipated as early as the end of July.

DISCUSSION

CSCDA was created in 1988, under California's Joint Exercise of Powers Act, to enable local government and eligible private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities throughout California. CSCDA is comprised of more than 500 members, including the City of Hayward.

The developer, Maple and Main Apartments, L.P., has requested that the CSCDA serve as the municipal issuer of the bonds in an aggregate principal amount not to exceed \$110,000,000 of tax-exempt revenue bonds. The proceeds of the bonds will be used for the acquisition, construction, and development of the Phase 1 Maple & Main Apartment Project, which consists of a 240-unit multifamily rental mixed-use housing project located at 22330 Main Street. As described above, the Phase 1 Maple & Main Apartment Project will restrict 20% of its units for very-low-income households, which results in the provision of 48 units of affordable housing to very low-income households for 55 years. In addition to regulatory controls recorded by the State of California and the bond issuer, to ensure that the affordable

units are created, the City, as part of the February 7, 2017 approvals, mandated Condition of Approval No. 30, which requires the developer to enter into an Affordable Housing Agreement with the City that will deed restrict the properties as affordable units. Attachment III provides the 2019 rent and income limits for a very-low income household as determined by the California Tax Credit Allocation Committee. Rent and income limits are adjusted annually and are based on changes to the area median income. Rents and income limits for the project will be determined after the project is placed in service.

For all or a portion of the bonds to qualify as tax-exempt bonds, the City must conduct a TEFRA hearing that provides 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 this hearing, reasonable notice must be provided to the members of the community. The Notice for this TEFRA hearing was published June 14, 2019. Following the close of the TEFRA hearing, an elected representative of the governmental unit hosting the project must provide its approval of the issuance of the bonds to finance the project.

ECONOMIC IMPACT

The Phase 1 Maple & Main Apartment Project would contribute to the neighborhood by redeveloping a vacant infill site allowing for the development of 240 units of housing (including 48 units for very low-income households), and 5,500 square feet of ground floor retail space. Such development would contribute to the character and revitalization of the neighborhood.

FISCAL IMPACT

The bonds to be issued by the CSCDA 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. 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.

STRATEGIC INITIATIVES

This agenda item relates to the Complete Communities Initiative. The purpose of the Complete Communities initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This agenda item relates to the following goal and objectives:

Goal 1. Provide a mix of housing stock for all Hayward residents and community members, including the expansions of affordable housing opportunities and resources.

Objective 2: Conserve and improve the existing housing stock.

Objective 3 Increase supply of affordable, safe and resilient housing in Hayward.

PUBLIC CONTACT

Public noticing requirements related to TEFRA public hearings were strictly adhered to and followed. Notice of this public hearing was published in the Daily Review on June 14, 2019.

NEXT STEPS

Considering the foregoing, and to support affordable housing, staff recommends that the City Council conducts the TEFRA Hearing and adopts the resolution in favor of the issuance of the bonds by the CSCDA.

Prepared by: Christina Morales, Housing Manager

Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager