**DATE:**       February 8, 2022

**TO:**         Mayor and City Council

**FROM:**       Director of Finance

**SUBJECT:**    Andina Affordable Housing Project TEFRA Hearing: 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 of Revenue Bonds by the California Municipal Finance Authority in an Amount Not-to-Exceed $45 Million to Finance or Refinance the Acquisition, Rehabilitation, Improvement and Equipping of a Multifamily Rental Housing Project Located at 1180-1182 E Street, Hayward, California

## RECOMMENDATION

That Council:

1. Conducts a public hearing to consider the issuance of Tax-Exempt Multifamily Housing Revenue bonds by the California Municipal Finance Authority (CMFA) to assist in the financing or refinancing of the Andina Affordable Housing Project, a multifamily rental housing project located at 1180-1182 E Street, Hayward, California (the Project); and

2. Adopts a resolution (Attachment II) approving the issuance of the Bonds by the CMFA for the benefit of Integrity Housing to provide for the financing of the Project, such adoption is solely for the purposes of satisfying the requirements of the Public Tax and Equity Fiscal Responsibility Act, the Code and the California Government Code Section 6500 (and following).

## SUMMARY

The Council has been asked by developer, Integrity Housing, to conduct a public hearing under the Tax and Equity Fiscal Responsibility Act (TEFRA) in connection with the proposed issuance of revenue bonds by CMFA in an amount not-to-exceed $45 million. The bonds will be used for the acquisition, rehabilitation, improvement, and equipping of an 89-unit multifamily rental housing project located at 1180-1182 E Street, Hayward, California, generally known as the Andina Apartments Affordable Housing Project. Integrity Housing proposes to use bond financing to convert the property from a market rate apartment complex to a mixed income housing complex with 55% of rents restricted to low-income

households and 20% of the rents restricted to very low-income households with the remaining units set at market rents subject to the Residential Rent Stabilization and Tenant Protection Ordinance (RRSO) rent increase limits. Additionally, the developer has agreed to limit rent increases to all units consistent with the RRSO on the rent restricted units. Lastly, under the RRSO, tenants cannot be evicted due to income ineligibility. The proposed project will improve the quality of housing provided by Andina Apartments and provide long-term affordable housing opportunities while protecting existing tenants from eviction related to income ineligibility or displacement due to large rent increases.

## BACKGROUND

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, 300 municipalities, including the City of Hayward, have become members of CMFA. It was formed 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. CMFA's representatives and its Board of Directors have considerable experience in bond financings.

## DISCUSSION

The developer, IH Andina Hayward LLC with Affordable Housing Alliance II, Inc., dba Integrity Housing as the sole member (the Borrower), has requested that CMFA serve as the municipal issuer of the tax-exempt revenue bonds in an aggregate principal amount not-to-exceed $45,000,000. The proceeds of the bonds will be used for the acquisition, rehabilitation, improvement, and equipping of the Project, which consists of an 89-unit multifamily, rental, mixed-income housing project located at 1180-1182 E Street. Of the 89 units, 20% of the units will be restricted for occupancy to tenants earning 50% of the Area Median Income (AMI) or less and 55% of the units will be restricted for occupancy to tenants earning to 80% of AMI or less. The remaining units will be available without income restrictions.

### Displacement Protections
Existing tenants are protected from eviction even if they do not meet the income eligibility criteria because the Project is subject to the RRSO's Just Cause for Eviction protections. Additionally, because the Project is mixed-income, there is a built-in capacity to prevent displacement while meeting the required income restrictions, as 22 units will be available to tenants regardless of income.

### Minimizing Impacts on Tenants
Upon review of the rent roll, staff has determined that the proposed Project has the potential to reduce rents for 53 tenants. Based on current rents, some tenants may also experience a rent increase upon lease renewal. As not to diminish the tenant's rights under the RRSO, the developer has agreed to include a provision in the regulatory agreement that

will limit rent increases consistent with the RRSO should the maximum allowable restricted rents exceed 5%.

**Minimizing Impacts of Property Rehabilitation**
The scope of the rehabilitation is limited to common area improvements and interior renovations. All unit interior renovations will be completed upon unit turnover and will not impact existing tenants.

**The City's Role in the Project**
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 January 24, 2022. Following the close of the TEFRA Hearing, an "applicable elected representative" of the governmental unit hosting the Project must provide its approval of the issuance of the Bonds to finance the project.

The City's Housing Manager has worked closely with the Director of Finance in reviewing the regulatory agreement and other documents associated with this item to ensure compliance with the City's RRSO and other regulations.

**ECONOMIC IMPACT**

The Project will allow for the development of 89 units of housing, including 18 units for very low-income households. The rehabilitation of the property would also contribute to the character and revitalization of the neighborhood.

**FISCAL IMPACT**

The Bonds to be issued by CMFA 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.

With respect to the City, it is expected that that a portion of the issuance fee attributable to the City's efforts preparing for the TEFRA hearing will be granted by CMFA to the General Fund.

**STRATEGIC ROADMAP**

While this item does not relate directly to any specific Strategic Roadmap Priority, it does serve the overall goal of the Council to continue to provide affordable housing to the Hayward community.

**PUBLIC CONTACT**

Public noticing requirements related to TEFRA public hearings were strictly adhered to and followed. The public hearing notice was published in the Daily Review c/o Bay Area News Group – East Bay on January 21, 2022, and February 4, 2022.   Notice of this hearing was also published on the City's website on January 24, 2022. Additionally, staff has sent a notice of the Public Hearing directly to the Project tenants.

**NEXT STEPS**

Staff recommends that the Council conducts the TEFRA Hearing and adopts the resolution in favor of the issuance of the bonds by the CMFA.

*Prepared by and Recommended by*:     Dustin Claussen, Director of Finance

Approved by:

Kelly McAdoo, City Manager