



DATE: June 13, 2017

TO: Mayor and City Council

FROM: Library and Community Services Director

SUBJECT Public TEFRA Hearing as Required by the Internal Revenue Code of 1986, and adoption of a Resolution Authorizing the Issuance of Bonds by the California Statewide Communities Development CSCDA for the Maple and Main Apartments

RECOMMENDATION

That Council:

1. Conducts a public hearing to consider the issuance 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 CSCDA of Tax-Exempt Multifamily Housing Revenue Bonds for purposes of Section 147 (f) of the Internal Revenue Code of 1986.

BACKGROUND

The Maple and Main Apartments is a 240-unit mixed-income multifamily rental housing development located at 22330 Main Street, Hayward, California (the “Project”). The Project, located on 3.93-acre site generally bounded by A Street, Main Street, McKeever Avenue and Maple Court (the “Site”), is part of a larger redevelopment effort of the Site by the owner, Bay Area Property Developers, LLC (the “Developer”). In addition to the apartments, the redevelopment of the Site will also include 5,500 square feet of ground floor retail space along Main Street. Plans also include comprehensive façade and interior upgrades to 48,000 square feet of an existing office building. The City Council approved the discretionary approvals for the redevelopment of the Site and Project on February 7, 2017.

The City has adopted an Affordable Housing Ordinance that requires residential development projects of twenty or more units to mitigate their impact on the need for affordable housing in Hayward by contributing to the production of homes that are affordable to extremely low-, very low-, and moderate-income households (the “AHO”, Hayward Municipal Code Article 17). To comply with the AHO, the Developer offered and agreed to construct forty-eight units

(20% of the total units in the Project) to be affordable and rented to very low-income households - households earning 50% of the Area Media Income (AMI) or less¹. As required by the AHO and the Project financing sources, the Developer will record long-term deed restrictions on the forty-eight units to ensure that they remain affordable to income-eligible households for fifty-five years. The financing for the Project includes Low Income Housing Tax Credits (LIHTCs) and Tax-Exempt Multifamily Housing Revenue Bonds (“Bonds”).

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. CSCDA has issued more than \$57 billion through 1,500+ financings since 1988 and consistently ranks in the top ten of more than 3,000 nationwide public issuers of tax-exempt debt, as measured by annual issuance amount.

Main & Maple Apartments, L.P., (the “Borrower”), the ownership partnership newly created so the Developer is able to obtain the tax credits, pursuant to the LIHTC program, has requested that CSCDA serve as the municipal issuer of the Bonds in an aggregate principal amount not to exceed \$110,000,000. The proceeds of the Bonds will be used to make a loan to the Borrower, to enable the Borrower to finance the acquisition, construction, and development of the Project, as defined above.

To issue the Bonds, the Borrower and CSCDA need to submit an application for an allocation of the State’s ceiling of private activity bonds to the California Debt Limit Allocation Committee (CDLAC). CSCDA and the Borrower filed the application with CDLAC on this date, June 13, 2017. CDLAC’s rules also require that the jurisdiction in which the bond-financed project is located adopt a resolution approving the issuance of the bonds by the issuing entity (CSCDA in this case) to comply with the Tax Equities and Fiscal Responsibility Act of 1982 (TEFRA).

Another requirement of tax-exempt bond financing is that the City must conduct a public hearing (the “TEFRA Hearing”) to provide the members of the community an opportunity to comment on the use of tax-exempt bonds to finance the Project. The TEFRA Hearing must be noticed in a newspaper of general circulation two weeks before the hearing. Following the TEFRA Hearing, the “applicable elected representatives” of the jurisdiction where a project to be financed with “private activity bonds” is located, must adopt the resolution approving the issuance of such bonds by the issuing entity. The City Council is being asked to hold such public hearing which was noticed in the Daily Review on May 26.

¹ The current Alameda County 50% of AMI income limit for a family of four is \$48,750.

ECONOMIC IMPACT

To assess the potential economic benefits of the redevelopment of the Site, the Developer commissioned a study which was conducted by The Concord Group and completed in November 2016 (the “Study”). One of the key findings of the Study² states that the new 240 housing units and the projected population of 440 residents is estimated to contribute more than \$1.9 million annually to Hayward retail establishments, generating \$19,000 in retail sales tax revenue. The Study also estimated new property tax revenues of more than \$270,000 annually once the redevelopment of the Site is completed.

The inclusion of 20% of the total number of homes as affordable in the Project will also help the City alleviate the local housing affordability crisis by providing forty-eight permanent homes restricted for occupancy by very low-income households intermingled with the market-rate units, thereby promoting socio-economic integration.

The creation of this mixed-income housing project will also help the City achieve several of its Housing Element (“HE”) goals and objectives, by facilitating the creation of transit-oriented, sustainable and close-to-services housing for families (objectives 3.2, 3.3, and 3.4 of the HE, respectively), while also helping the City meet its Regional Housing Needs Allocation (RHNA) affordable production targets.

Last but not least, the creation of the affordable units could present funding opportunities for the City through State programs that reward the creation or substantial rehabilitation of affordable housing such as the State Department of Housing and Community Development Department’s Housing-Related Parks program, through which the City was recently awarded approximately \$1.1 million.

FISCAL IMPACT

The Bonds will be issued by the Authority – not the City. As a consequence, the Bonds will not constitute an indebtedness or obligation of the City. The faith and credit or any taxing power of the City will not be pledged to the payment of the principal or interest on the Bonds and the City will not be liable or obligated to pay the principal or interest on the Bonds. The Bonds will be special, limited obligations of the Borrower payable solely from the loan repayments made by the Borrower. Finally, the Borrower will reimburse the City for all costs in connection with this TEFRA Hearing, including staff time required for the preparation of this report.

SUSTAINABILITY FEATURES

As approved by the Planning Commission and the City Council, the redevelopment of the Site and Project are subject to the 2016 California Building Standards Code (California Code of

² For a more detailed list of the Study findings, see the Economic Benefits section of the staff report for the Planning Commission meeting held on December 15, 2016. The report may be found by clicking the following link:

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Regulations, Title 24, the “Code”) that became effective on January 1, 2017 and which will have higher energy efficiency standards than the current 2013 codes. The residential building will be GreenPoint rated. A related condition of approval requires that such rating exceeds the requirements of the Code in the areas of energy efficiency, water conservation, air quality, and materials preservation. A more detailed list of the sustainability features of the Project is included in the staff report referred to in footnote 1.

PUBLIC CONTACT

The extensive public outreach that led to the approval by Council of the Project and redevelopment of the Site included:

- Mailing of notices of receipt of the use permit application to property owners, businesses, and tenants within a 300-foot radius of the Site.
- Meetings with members of the Prospect Hill Neighborhood Association.
- Mailing of a Notice of Intent to Adopt a Mitigated Negative Declaration to interested parties and all property owners within a 300-foot radius of the Site.
- Publication in the Daily Review on November 11, 2016 of the Planning Commission Public Hearing for approval of the Project and redevelopment of the Site’s Conditional Use Permit and Site Plan Review.
- Public Hearing for approval of the Site’s Conditional Use Permit and Site Plan Review held by the Planning Commission on December 15, 2016.
- Denial of the Hayward Area Planning Association’s appeal of the Planning Commission’s approval on December 15, 2016 and approval of the Project and redevelopment of the Site by the City Council on February 7, 2017.

In addition to the above public outreach process, notice of this public hearing was published by the Developer in the Daily Review on May 26, as required by TEFRA.

NEXT STEPS

If Council holds the TEFRA hearing and approves the adoption of the attached resolution, no other Council action will be required for the Borrower to both receive the allocation of the State’s ceiling of private activity bonds from CDLAC (if the application is successful) and issue the Bonds.

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Recommended by: Sean Reinhart, Library and Community Services Director

Approved by:



Kelly McAdoo, City Manager