



DATE: February 5, 2019

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Approval of Execution of Joint Exercise of Powers Agreement Relating to the California Public Finance Agency to Allow the Existing Leisure Terrace Apartment Complex Located at 1638 E Street to Apply for Four Percent Low Income Housing Tax Credits to Convert All Units to Deed Restricted Affordable Housing Units

RECOMMENDATION

That Council adopts the attached resolution approving, authorizing, and directing execution of a joint exercise of powers agreement relating to the California Public Finance Authority to allow the existing Leisure Terrace Apartment complex to apply for four percent Low Income Housing Tax Credits (LIHTCs) to convert all units to deed restricted affordable housing units.

SUMMARY

The Reliant Group, an apartment investment group, has requested public bond financing from the California Public Finance Authority (CalPFA) in order to acquire, rehabilitate, and convert the Leisure Terrace Apartments located at 1638 E Street in the City of Hayward to a 100% deed restricted affordable housing project. If the Reliant Group does not receive public bond financing, they will acquire the apartments with private financing and most likely have to increase rents to help finance the intended investment and rehabilitation of the apartment units.

For CalPFA to have jurisdiction to issue bonds for any project in the City, it is necessary for the City of Hayward to become a member of CalPFA. As a result of the public financing, the property will be converted to a 100% affordable housing project. Staff recommends joining CalPFA to facilitate the acquisition, rehabilitation, and conversion of the Leisure Terrace Apartments to affordable housing that will protect low-income residents most vulnerable to displacement caused by the new acquisition and investment.

BACKGROUND

The Reliant Group, Inc. has requested that the CalPFA adopt a plan of financing providing for the issuance of one or more series of revenue bonds issued from time to time, including bonds issued to refund such revenue bonds, in an aggregate principal amount not to exceed \$23,000,000 for the acquisition, rehabilitation, improvement, and equipping of the 68-unit

multifamily rental housing project located at 1638 E Street, generally known as Leisure Terrace Apartments and operated by Reliant Property Management. For CalPFA to have jurisdiction to issue bonds for any project in Hayward, it is necessary for the City to become a member of CalPFA.

Reliant Group, Inc. proposes to use both bond financing and LIHTCs, which will convert the property from a market rate apartment complex to an affordable housing complex with rents restricted for low- and very low income residents. The proposal will protect residents most vulnerable to displacement.

DISCUSSION

The CalPFA was formed pursuant to a Joint Exercise of Powers Agreement between two original members, Kings County and the Housing Authority of Kings County. Additional cities, counties and other local government entities may, and have, joined CalPFA. CalPFA is a political subdivision of the state of California and was created on May 12, 2015 to assist local governments, non-profit organizations, and businesses with the issuance of taxable and tax-exempt financing to promote economic, cultural, and community development opportunities that create temporary and permanent jobs, affordable housing, community infrastructure, and improve the overall quality of life in local communities. To date, thirty-five public agencies have become members of CalPFA.

There are no costs associated with membership in CalPFA and the City will not become exposed to any financial liability by reason of its membership in CalPFA. Additionally, participation by the City in the CalPFA will not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. CalPFA shares a portion of its annual fees with the local agency that conducts a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing. Each public agency who conducts the TEFRA hearing shall receive a minimum of 10% of the CalPFA annual administrative fee collected for the term the respective bonds issued by CalPFA.

Currently, the City is a member of two other Joint Powers Authorities including the California Statewide Communities Development Authority and California Municipal Finance Authority. Joining CalPFA would create an additional partnership for the financing and development of future affordable housing projects. Staff recommends joining CalPFA to increase financing options for developers looking to invest in the City and to facilitate the conversion of the Leisure Terrace Apartments to affordable housing. If Council approves joining CalPFA, a TEFRA hearing will be held by the City Council on February 19, 2019 to approve the proposed bond financing for the Leisure Terrace Apartments and enable the project to apply for four percent LIHTCs.

FISCAL IMPACT

There is no fiscal impact associated with this agenda item.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Strategic 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 item supports the following goal and objectives:

Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources.

Objective 1: Centralize and expand housing services.

Objective 2: Facilitate the development of diverse housing types that serve the needs of all populations.

Objective 4: Increase the supply of affordable, safe and resilient housing in Hayward.

NEXT STEPS

If Council authorizes membership in CalPFA, the City Manager will execute the JPA document. Staff will then prepare the documents for a TEFRA hearing to be scheduled for Council consideration on February 19, 2019.

Prepared by: Christina Morales, Housing Division Manager

Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager