



# CITY OF HAYWARD

Hayward City Hall  
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## Cover Memo

**File #:** LB 16-008, **Version:** 1

**DATE:** January 26, 2016

**TO:** Mayor and City Council

**FROM:** Library and Community Services Director

### **SUBJECT**

Authorization of Issuance of Multi-Family Housing Revenue Bonds (Acquisition and Rehabilitation of Four Eden Housing, Inc.-Owned Affordable Housing Developments) 2016 Series A and Execution of Related Documents

### **RECOMMENDATION**

That the City Council:

- a) Adopts the attached resolution authorizing the issuance of up to \$30,000,000 in tax-exempt multifamily housing revenue bonds, to assist in the acquisition and rehabilitation of four Eden Housing, Inc.-owned affordable housing developments; and
- b) Authorizes the City Manager to execute implementing documents in connection with the proposed bond issuance.

### **BACKGROUND**

On July 21, 2015, Council approved financing for the acquisition and rehabilitation of four Eden Housing Inc.-owned affordable housing developments in Hayward comprising a total of 118 units of multifamily rental housing affordable to low and very low-income households (the "Project"). The report associated with this approval may be found at the following link:

<https://www.hayward-ca.gov/CITY-GOVERNMENT/CITY-COUNCIL-MEETINGS/2015/CCA15PDF/cca072115full.pdf#page=445> <<https://www.hayward-ca.gov/CITY-GOVERNMENT/CITY-COUNCIL-MEETINGS/2015/CCA15PDF/cca072115full.pdf>> (pages 444-468 of item #22). The full text of the report is also included as Attachment II to this report. Table A shows the names of the properties, their addresses, and the number of units in each of them:

Table A: The Properties Comprising the Project

Property Name	Location	Number of Units
742 Harris Ct. Apartments	742 Harris Court	4
Harris Court Apartments	734, 735, 743, 750, and 751 Harris Court	20

Cypress Glen	25100 Cypress Avenue	54
Huntwood Commons	27901 Huntwood Avenue	40
	Total:	118

Included in the City-approved financing are a series of loans (the “Loans”) that the City and the former Redevelopment Agency (the “Former RDA”) provided to Eden Housing Inc. (“Eden”) to fund the properties at different stages of development. To bring them up to underwriting guidelines currently utilized by public funding agencies, the Loans will be restructured as part of the Project implementation. The criteria utilized by staff for restructuring the Loans were described in detail at the July 21, 2015 meeting. As a result of the restructuring, the remaining City financing for the project will total approximately \$5.5 Million. In order to make the project feasible, Eden has also requested that the City issue Tax-Exempt Multi-Family Housing Revenue Bonds (the “Bonds”) for the Project.

**DISCUSSION**

*Project Financing.* In addition to the City-approved financing, the Project financing includes approximately \$26 Million in Bonds which will be largely repaid (at the end of construction) from permanent funding sources, including approximately \$15.7 Million of non-competitive 4% Low Income Housing Tax Credits (Tax Credits). Both the Bonds and the Tax Credits make up the largest source of external financing for the Project. A significant amount of Bonds (\$6.3 Million) will remain as permanent financing for the Project, as further described below. The following is an estimate of permanent funding sources for the Project:

Table B: Permanent Sources of Funding for the Project

Sources	Amount
Tax Exempt Bonds	\$6,325,000
City and former RDA Loans	\$5,538,674
Eden Seller Take Back Loan	\$8,058,103
Eden Permanent Loan	\$5,500,000
Income from Operations Prior to Conversion	\$667,038
Deferred Developer Fee	\$773,904
Capital Contribution - General Partner	\$1,373,139
Capital Contribution - Tax Credits/Limited Partner	\$15,703,438
Total:	<b>\$43,939,296</b>

*The Bonds.* Eden has requested that the City serve as issuer for the Bonds in an amount not to exceed \$30,000,000. In order to do so, in addition to approving the restructuring of the Loans, at the July 21, 2015 meeting, the City Council conducted a Tax Equity and Fiscal Responsibility Act of 1985 (TEFRA) hearing and approved a resolution of inducement for federal tax purposes, authorizing the issuance of Bonds for the Project, subject to final approval of the City Council at this meeting. The Bonds are qualified private activity bonds which require an allocation of private activity volume cap from the State.

Thus, on July 21, 2015 staff also requested authorization from the City Council to apply to the California Debt Limit Allocation Committee (CDLAC) for an allocation of private activity bond volume cap.

On October 21, 2015, CDLAC adopted a resolution granting an allocation of private activity bond volume cap to the City upon review of the application and a determination that the Project meets the program requirements. Eden has accepted a proposal from MUFG Union Bank, N.A. ("Union Bank") to purchase the Bonds on a private-placement basis. The Funding Loan Agreement between the City and Union Bank, provides that the City does not back the Bonds and is not liable to make bond payments under any circumstances. Thus, the City is free of any responsibility or obligation to pay principal or interest on the Bonds. In addition, the City's credit worthiness is not involved in or affected by this transaction. In other words, the Bonds would be limited, special obligations of the City, meaning that the City simply acts as a conduit for the Bond issuance process and is not financially responsible for repayment.

*Affordable homes for families for fifty-five years.* As mentioned above, the Bonds will be complemented by non-competitive 4% Tax Credits. When used together, both programs provide the most favorable financing for the Project to effectively leverage the City's investment. In addition to this, most of the sources listed in the above table require soft repayment terms. This will enable the Project to rent approximately 40% of the units at rents affordable to very low-income families (those earning up to 50% of the Area Median Income (AMI)). The rest of the units will be affordable to low-income families (those earning up to 60% of AMI in this case). Current Alameda County low- and very low-income limits for a four-person household are \$46,750 and \$71,600, respectively.

Although the income limits will be held at the above-described levels, there are eleven current residents whose incomes initially qualified them as low- or very low-income tenants, but whose current incomes exceed the qualifying levels. Those residents will be allowed to continue to lease their units at affordable rents. However, all funding sources will require Eden to rent those units to income-eligible tenants when the current tenants vacate the units.

The different layers of Project financing (see Table B) will result in the recordation of covenants against the Project by each lender or funder involved. These covenants will overlap or complement each other, which will guarantee that all the units remain affordable for fifty-five (55) years to income-eligible families, subject to the continued occupancy of a few over-income tenants, as described in the preceding paragraph.

The attached bond resolution conditionally authorizes the issuance of the Bonds and authorizes the City Manager to execute the associated Bond documents, which are on file in the Office of the City Clerk. The resolution also names the law firm of Jones Hall as bond counsel and CSG Advisors as financial advisor to the City in connection with the issuance of the Bonds.

## **ECONOMIC IMPACT**

An extensive list of the Project's benefits for the community was included in the staff report to Council regarding the TEFRA Hearing and approval of the restructuring of the Loans (see the July 21, 2015 staff report referenced above). However, it is important to note that addressing the Project's rehabilitation needs will improve the properties' operating performance and ensure their long-term affordability and viability, thus promoting Council priorities and the City's Housing Element goals. The Project financing also results in approximately \$12 million of investment towards the physical improvement of the Project

properties and, by extension, in the local economy.

### **FISCAL IMPACT**

The issuance of the Bonds does not represent a financial impact to the General Fund and the General Fund is not responsible for repayment of the Bonds. An undetermined amount of revenue will be received by the City upon completion of the Project through bond issuance and administrative fees. These fees will help to offset some of the City staff costs associated with implementation and monitoring of the Project. All costs associated with issuance of the Bonds will be reimbursed through bond proceeds, including the City's financial advisors and legal counsel on affordable housing and bond counsel fees.

### **PUBLIC CONTACT**

To comply with the Internal Revenue Code of 1986 (the Code), a Notice of the TEFRA hearing was published in the Daily Review on July 7, 2015. Consistent with the notice, the public hearing was later held by the City Council on July 21, 2015, when the restructuring of the existing City or Former RDA Loans was discussed and approved by Council. The formal approval of the bond documents by the City Council is the last legally-mandated public outreach step required for the issuance of the Bonds to take place. This requirement will be met through Council approval of staff's recommendation in this report.

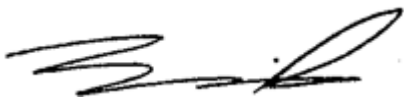
### **NEXT STEPS**

City Council adoption of the attached resolution, authorizing the issuance of the Bonds and the execution of the bond documents by the City Manager or her designee, will allow the Project to move forward. Closing of the Project financing is expected to occur on February 8. Construction will commence soon thereafter and is expected to be completed before the end of 2016 as current Project financial projections call for a ten-month construction schedule.

*Prepared by:* Omar Cortez, Housing Development Specialist

*Recommended by:* Sean Reinhart, Library and Community Services Director

Approved by:



Fran David, City Manager

Attachments:

Attachment I

Resolution Authorizing the Issuance of Bonds and  
Related Actions