



Agenda Report

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File #: 18-2160

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**AGENDA REPORT  
REQUEST FOR CITY COUNCIL ACTION**

DATE: 10/17/2018

TO: Honorable Mayor and City Council Members

FROM: Community Development Department

**SUBJECT:**

Public Hearing for City Council consideration of Resolution No. 2018-107, approving the issuance of tax-exempt revenue bonds by the California Municipal Finance Authority in an amount not to exceed \$25,000,000, for the purpose of financing the acquisition and rehabilitation of Corona Community Villas (located at 2680 S. Main Street).

**RECOMMENDED ACTION:**

That the City Council adopt Resolution 2018-107 approving the issuance of revenue bonds by the California Municipal Finance Authority in an aggregate principal amount not to exceed \$25,000,000 to finance the acquisition and rehabilitation of an affordable rental housing complex for senior citizens located at 2680 S. Main Street, Corona, California.

**ANALYSIS:**

Corona Community Villas located at 2680 S Main Street is an existing affordable housing multiple family residential complex for senior citizens and contains 75 for-rent units. The city's General Plan Housing Element shows the 74 units (manager's unit not included) being at risk of losing its current funding under its current revenue bond. The current property owner is Corona Community Villas, Inc; however, Thomas Safran & Associates Development, Inc. is in the process of acquiring the property and is proposing to preserve the affordable housing units by requesting the California Municipal Finance Authority (CMFA) to serve as the municipal issuer of tax-exempt revenue bonds in an aggregate principal amount not to exceed \$25,000,000 (Bonds). The new owner is also seeking tax credit financing in an amount not to exceed \$8,000,000. The new owner will be renamed Corona Villas Housing LP (Borrower), a California limited partnership between Thomas Safran & Associates (TSA) and Housing Corporation of America (HCA). The bond and tax credit proceeds will be used for the acquisition and rehabilitation of the property which will continue to provide affordable rental housing for low- and very low-income seniors.

HCA will be the non-profit general partner for the project. HCA has partnered with TSA on

approximately 30 projects. TSA owns and manages over 5,000 units of affordable rental housing in California and for over 35 years have specialized in developing affordable housing projects. Both HCA and TSA have extensive tax-exempt bond, tax credit and HUD financing and management experience.

The property was built in 1988. The three-story building contains 74 for-rent units and one on-site manager's unit. The unit mix includes 18 studio units (approximately 450 square feet) and 56 one-bedroom units (approximately 575 square feet) and one two-bedroom unit for the on-site manager. Amenities include a community room, business center, fitness center, patios & balconies, outdoor BBQ area and resident activities that include exercise classes, health & wellness seminars, monthly birthday parties, and other activities based on a to-be-performed resident survey.

#### PROJECT AFFORDABILITY REQUIREMENTS UNDER NEW FINANCING

The housing complex will be financed with affordable housing tax credits and tax-exempt financing bonds. Tax-exempt financing falls under the California Debt Limit Allocation Committee (CDLAC) and follows the federal minimums, whereas, tax credit financing is provided through California Tax Credit Allocation Committee (TCAC). Each funding source has different affordability limits. Of the two, TCAC has more stringent limits.

All units, except for the manager's unit, will be 100% affordable for a period of 55 years. The income level will be 50% and 60% of the Area Median Income (AMI) for Riverside County in accordance with the more stringent TCAC limits. TSA shall be the management agent responsible for ensuring compliance with all tax-credit and HUD-related affordability regulations and for maintenance of the property in decent, safe and sanitary condition.

The estimated breakdown of affordability for the rental units is shown in the below table. The income and rent limits shown are from the TCAC website. However, the income limits can fluctuate year to year, therefore, the monthly rent amount indicated below may also vary.

50% AMI Units		Maximum Monthly Rent
Studio	4	\$590
One Bedroom	12	\$632

60% AMI Units		Maximum Monthly Rent
Studio	14	\$708
One Bedroom	44	\$759

Maximum Income limits for a household are based on the actual number of members in a household. The 2018 income limits for households in Riverside County for the 50% AMI and 60% AMI units are shown in the below table.

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person
50% AMI	\$23,600	\$27,000	\$30,350	\$33,700	\$36,400	\$39,100
60% AMI	\$28,320	\$32,400	\$36,420	\$40,440	\$43,680	\$46,920

### USE OF FUNDS

The new tax credits and Bonds will be used to acquire and rehabilitate the property. Residential units will be upgraded with new carpet and flooring, new cabinets and countertops, new sinks, vanities and plumbing fixtures, new appliances and air conditioning. The common area used by all the tenants will get new furniture, pool table, television and a more spacious kitchen. Exterior building improvements include painting and any necessary repairs, general site improvements, new landscaping and improvements to the parking lot, walkways and site lighting. Accessible units will be upgraded to comply with the Federal UFAS standard and the California Tax Credit Allocation committee accessibility requirements which requires 10% of units be upgraded to or made accessible including sensory upgrades.

### CALIFORNIA MUNICIPAL FINANCE AUTHORITY & TAX AND EQUITY FISCAL RESPONSIBILITY ACT

The California Municipal Finance Authority (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, over 300 municipalities, including the City of Corona, have become members of CMFA.

The CMFA 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. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

### PUBLIC NOTICE

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Corona must conduct a public hearing as defined in the Tax and Equity Fiscal Responsibility Act (TEFRA Hearing) providing for the 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 such TEFRA Hearing, reasonable notice must be provided to the members of the community. The minimum public notice of 14 days was given through the Corona Sentinel, the paper of general circulation, on October 3, 2018.

### **COMMITTEE ACTION:**

Not Applicable.

### **STRATEGIC PLAN:**

Approval of this resolution in favor of tax-exempt revenue bonds is consistent with the City's Strategic Plan Goal to Actively Engage in Public and Private Partnerships to Provide Services and Amenities, as the project will facilitate the acquisition and rehabilitation of much needed affordable housing units within the City for a period of no less than 55 years.

### **FISCAL IMPACT:**

The City bears no cost for its membership in the CMFA and is not exposed to any financial liability by reason of its membership or the issuance of the Bonds. Other than holding the TEFRA hearing and adopting the resolution, the City has no other participation or activity with respect to the issuance of

the Bonds.

**ENVIRONMENTAL ANALYSIS:**

No environmental review is required because the proposed action is not a project under CEQA or is exempt.

**PREPARED BY:** CYNTHIA LARA, ADMINISTRATIVE SERVICES MANANGER II

**REVIEWED BY:** JOANNE COLETTA, COMMUNITY DEVELOPMENT DIRECTOR

**REVIEWED BY:** MICHELE NISSEN, ASSISTANT CITY MANAGER

**REVIEWED BY:** KERRY D. EDEN, ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR

**SUBMITTED BY:** DARRELL TALBERT, CITY MANAGER

**Attachments:**

1. City Resolution No. 2018-107.

**RESOLUTION NO. 2018-107**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONA APPROVING THE ISSUANCE OF REVENUE BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$25,000,000 TO FINANCE THE ACQUISITION AND REHABILITATION OF AN AFFORDABLE RENTAL HOUSING FACILITY FOR SENIORS LOCATED AT 2680 S. MAIN STREET, CORONA, CALIFORNIA**

**WHEREAS**, Thomas Safran & Associates Development, Inc., a California corporation (the "Sponsor"), on behalf of Corona Villas Housing LP, a California limited partnership, or an entity created by the Sponsor or by an affiliate of the Sponsor (the "Borrower"), has requested that the California Municipal Finance Authority (the "Authority") issue one or more series of revenue bonds in an aggregate principal amount not to exceed \$25,000,000 (the "Bonds") for the acquisition and rehabilitation of a 75-unit affordable rental housing facility for low- and very low-income seniors (the "Project") located at 2680 S. Main Street in the City of Corona (the "City"), and to be owned and operated by the Borrower; and

**WHEREAS**, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), the issuance of the Bonds by the Authority must be approved by the City because the Project is to be located within the territorial limits of the City; and

**WHEREAS**, the City Council of the City (the "City Council") is the elected legislative body of the City and is one of the "applicable elected representatives" required to approve the issuance of the Bonds under Section 147(f) of the Code; and

**WHEREAS**, the Authority has requested that the City Council approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 4 of the Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the "Agreement"), among certain local agencies, including the City; and

**WHEREAS**, pursuant to Section 147(f) of the Code, the City Council has, following notice duly given on October 3, 2018, held a public hearing regarding the issuance of the Bonds, and now desires to approve the issuance of the Bonds by the Authority.

**NOW, THEREFORE, BE IT RESOLVED**, by the City Council of the City of Corona as follows:

**Section 1.** The foregoing recitals are true and correct.

**Section 2.** The City Council hereby approves the issuance of the Bonds by the Authority. It is the purpose and intent of the City Council that this resolution constitute approval of the issuance of the Bonds by the Authority, for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is to be located, in accordance with said Section 147(f) and (b) Section 4 of the Agreement.

**Section 3.** The issuance of the Bonds shall be subject to the approval of the Authority of all financing documents relating thereto to which the Authority is a party. The City shall have no responsibility or liability whatsoever with respect to the Bonds.

**Section 4.** The adoption of this Resolution shall not obligate the City or any department thereof to (i) provide any financing to acquire or construct the Project or any refinancing of the Project; (ii) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary for the acquisition, construction, rehabilitation, installation or operation of the Project; (iii) make any contribution or advance any funds whatsoever to the Authority; or (iv) take any further action with respect to the Authority or its membership therein.

**Section 5.** The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution and the financing transaction approved hereby.

**Section 6.** The Clerk shall forward a certified copy of this Resolution to the Authority in care of its counsel:

Ronald E. Lee, Esq.  
Jones Hall, APLC  
475 Sansome Street, Suite 1700  
San Francisco, CA 94111

**Section 7.** This resolution shall take effect immediately upon its adoption.

**PASSED, APPROVED AND ADOPTED** this 17<sup>th</sup> day of October 2018.

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Mayor of the City of Corona, California

**ATTEST:**

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City Clerk of the City of Corona, California

### **CERTIFICATION**

I, Sylvia Edwards, City Clerk of the City of Corona, California, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Corona, California, at a regular meeting thereof held on the 17th day of October 2018, by the following vote of the Council:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAINED:**

**IN WITNESS THEREOF**, I have hereunto set my hand and affixed the official seal of the City of Corona, California, this 17th day of October 2018.

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City Clerk of the City of Corona, California

**(SEAL)**