

STAFF REPORT
City of Lancaster, California

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Date: November 8, 2011

To: Mayor Parris and City Council Members

From: Elizabeth Brubaker, Director of Housing and Neighborhood Revitalization

Subject: **TEFRA Hearing for the issuance of one or more series of Revenue Bonds by the California Municipal Finance Authority (“CMFA”), a Joint Exercise of Powers Authority and Public Entity of the State of California, in an amount not to exceed \$70,000,000 to finance the acquisition and capital improvements of Mobile Home Parks throughout California by Caritas Acquisition I, LLC, including the Brierwood Mobile Home Estates located at 45800 Challenger Way in Lancaster**

Recommendation:

- 1) Conduct the Public Hearing under the requirements of TEFRA and the Internal Revenue Code of 1986, as amended (the “Code”).
- 2) Adopt **Resolution No. 11-78**, approving the issuance of the Bonds by the CMFA for the benefit of Caritas Acquisitions I, LLC, a California limited liability company, whose sole member is The Caritas Corporation, a California non-profit public benefit corporation, or a subsidiary or affiliate thereof (the “Borrower”), to provide for the financing of the Project, such adoption is solely for the purposes of satisfying the requirements of TEFRA, the Code and the California Government Code Section 6500 (and following). The resolution will also authorize the Mayor or designee thereof to execute the Joint Exercise of Powers Agreement with the CMFA.

Fiscal Impact:

There is no financial impact for the City. The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the “Foundation”), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City of Lancaster, it is expected that 25% of the issuance fee will be granted by the CMFA to the general fund of the City. Such grant may be used for any lawful purpose of the City. The Borrower will be the beneficiary of the CMFA’s charitable donation through a 25% reduction in issuance fees.

Background:

The Caritas Corporation requested that the CMFA serve as the municipal issuer of the Bonds in an aggregate principal amount not to exceed \$70,000,000 of tax-exempt revenue bonds. The proceeds of the Bonds will be used: (1) to finance the acquisition of: (a) a 308 space mobile home park known as the Brierwood Mobile Home Estates located at 45800 Challenger Way, Lancaster, California 93535; (b) a 153 space mobile home park known as the Casa Grande Mobile Home Park located at 1002 Poplar Road, Vacaville, California 92843; (c) a 200 space mobile home park known as the Castle City Mobile Home Park located at 1588 Lisa Drive, New Castle, California 92843; (d) a 255 space mobile home park known as the Vallejo Mobile Estates located at 285 West Lincoln Road, Vallejo, California 94590; and (e) a 144 space mobile home park known as the Snug Harbor Mobile Home Village located at 600 Rio Vista Avenue, Red Bluff, California 96080; and (2) to finance capital improvements associated with any and all the foregoing mobile home parks; and (3) to fund a debt service reserve fund; and (4) to pay capitalized interest on the Bonds; and (5) pay certain expenses incurred in connection with the issuance of the Bonds.

The facilities are to be owned and operated by the Borrower. Twenty percent (20%) or more of the residential units in the mobile home parks to be financed are required to be occupied by individuals whose income is 50 percent or less of area median gross income. The manager of the mobile home parks will be the Borrower, or another entity selected by the Borrower.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Lancaster must conduct a public hearing (the “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. 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 for the financing of the Project.

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 100 municipalities 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.

In order for the CMFA to have the authority to serve as the issuer of the bonds for the Project, it is necessary for the City of Lancaster to become a member of the CMFA.

The Joint Exercise of Powers Agreement provides that the CMFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing such agreement.

The Bonds to be issued by the 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 for the financing of the Project. 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.

There are no costs associated with membership in the CMFA and the City will in no way become exposed to any financial liability by reason of its membership in the CMFA. In addition, participation by the City in the CMFA will not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA hearing, adopting the required resolution and executing the Joint Exercise of Powers Agreement of the CMFA, no other participation or activity of the City or the City Council with respect to the issuance of the Bonds will be required.

The Joint Exercise of Powers Agreement expressly provides that any member may withdraw from such agreement upon written notice to the Board of Directors of the CMFA. In the case of the proposed bond financing for the Borrower, the City following its execution of the Joint Exercise of Powers Agreement, could, at any time following the issuance of the Bonds, withdraw from the CMFA by providing written notice to the Board of Directors of the CMFA.

In light of the foregoing, and in order to support the Caritas Corporation, staff recommends that the City conduct the TEFRA Hearing, execute the Joint Exercise of Powers Agreement of the CMFA, and adopt the resolution in favor of the issuance of the Bonds by the CMFA.

Attachment:

Resolution No. 11-78

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