

STAFF REPORT
City of Lancaster, California

PH 5
12/11/07
MVB

Date: December 11, 2007

To: Mayor Hearn and City Council Members

From: Elizabeth Brubaker, Director of Housing & Neighborhood Revitalization

Subject: **TEFRA Hearing/Approval of Tax-Exempt Revenue Bonds for Mental Health America of Los Angeles**

Recommendation:

Adopt **Resolution No. 07-215**, approving the issuance of tax-exempt revenue bonds by California Statewide Communities Development Authority (CSCDA) in an aggregate principal amount not to exceed \$2.0 million, to assist the Mental Health America of Los Angeles in the financing of the build out of a new facility in the city of Lancaster.

Financial Impact:

There is no financial impact. The city will not be a party to the financing documents. The debt will not be secured by any form of taxation, or by any obligation of the city. Neither would the debt represent or constitute a general obligation of the city. Pursuant to the governing California statutes and the JPA Agreement, a member of CSCDA is not responsible for the repayment of obligations incurred by CSCDA. The debt would be payable solely from amounts received pursuant to the terms and provisions of financing agreements to be executed by the developer of the proposed facility. In the financing documents the developer will also provide comprehensive indemnification to CSCDA and its members, including the city.

Background:

The California Statewide Communities Development Authority (“CSCDA”) requests the city’s approval of the issuance of tax-exempt revenue bonds (the “Bonds”) on behalf of the nonprofit Mental Health America of Los Angeles (“MHA”). Founded in 1924, MHA is a non-profit organization that uses four cornerstones – service, information, advocacy and training – to create opportunities for adults and young adults with mental illness to recover to full, equal lives. MHA serves Los Angeles County, California, with sites in Los Angeles, Lancaster and Long Beach. MHA provides services via two integrated services programs based on their nationally-recognized and replicated model, three homeless assistance service programs and a housing development program. They support a countywide self-help network for people with mental illness. Their information and assistance service helps individuals and families find mental health care throughout the County and their training program is offered throughout California and across the nation.

The Bonds are to be used to finance three projects, two in the city of Long Beach and one in the city of Lancaster. For the project in the city of Lancaster, MHA has entered into a long-term, 99-year lease for a new facility located at 44801 Sierra Highway. Approximately \$500,000 of Bond proceeds is to be used to finance the build out of this new counseling facility.

The Bonds would be tax-exempt private activity bonds for the purposes of the Internal Revenue code and, as such, require the approval of the elected body of the governmental entity having jurisdiction over the area where the project to be financed is located. The city will not be under any obligation to repay the Bond indebtedness.

In order for CSCDA to issue such bonds, the city must (1) conduct a public hearing allowing members of the public to comment on the proposed project, and (2) approve of the CSCDA's issuance of Bonds on behalf of the proposed financing. Although CSCDA (not the City) will be the issuer of the tax-exempt revenue bonds for the project, the financing cannot proceed without the city becoming a member of CSCDA and, as the governmental entity having jurisdiction over the site, approving of the CSCDA's issuance of indebtedness.

CSCDA is a California joint exercise of powers authority, organized and existing under the laws of the State of California (specifically, California Government Code Section 6500 and following), and is sponsored by the League of California Cities and the California State Association of Counties. Under the California Government Code, cities and counties are authorized to form by agreement a governmental entity that combines the powers of such entities to perform certain governmental functions specifically outlined in the Agreement. Over 460 California cities, counties and special districts have entered into and executed the Agreement to become a member of CSCDA, including the City of Lancaster. CSCDA is authorized to assist in the financing of 501(c)(3) non-profit projects.