

STAFF REPORT
City of Lancaster, California

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6/10/08
MVB

Date: June 10, 2008

To: Mayor Parris and City Council Members

From: Elizabeth Brubaker, Director of Housing & Neighborhood Revitalization

Subject: **TEFRA Hearing/Approval of Tax-Exempt Revenue Bonds for Penny Lane Centers**

Recommendation:

Adopt **Resolution No. 08-47**, approving the issuance of tax-exempt revenue bonds by California Statewide Communities Development Authority (CSCDA) in an aggregate principal amount not to exceed \$11 million, to assist the Penny Lane Centers to financing of the construction 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 Penny Lane Centers (“Penny Lane.”). Penny Lane organized in 1965 has a mission to foster hopes and dreams by empowering children, youth and families to reach their highest potential. Penny Lane services include residential treatment, foster care, adoption services, and on-site special education school, outpatient mental health services, and Transitional Housing for Emancipated Foster Youth. Penny Lane Centers care for over 1,400 abused and neglected children and youth throughout Southern California. Penny Lane’s headquarters are in Los Angeles, with adoptive outpatient and foster family services in the Antelope Valley and the City of Commerce.

TEFRA Hearing/Approval of Tax-Exempt Revenue Bonds for Penny Lane Centers

June 10, 2008

Page 2

The Bonds are to be used to finance three projects, two in the City of Los Angeles at 15302 and 15305 Rayen Street and one in the City of Lancaster at 43423 Division Street. For the project in the City of Lancaster, Penny Lane is constructing a new family center to be located at Lot 7 of Tract 548 on Division Street, APN 3126-031-036.

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 470 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) nonprofit projects.