



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Conduit Financing For CMFA Adcock
Joyner Apartments Affordable Housing
Project

DATE: February 18, 2025

City Administrator Approval


Jestin Johnson (Mar 6, 2025 13:00 PST)

Date: Mar 6, 2025

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Approving A Plan Of Finance Of The California Municipal Finance Authority To Issue And Reissue Revenue Bonds For A Qualified Residential Rental Project In An Aggregate Principal Amount Not To Exceed Thirteen Million Dollars (\$13,000,000) For The Benefit Of Adcock Joyner Preservation, LP, And Certain Other Matters Relating Thereto Pursuant To Section 147(f) Of The Internal Revenue Code (26 U.S.C. § 147(f)).

EXECUTIVE SUMMARY

The City of Oakland (the “City”) assists non-profit organizations in securing conduit financing through agencies such as the California Municipal Finance Authority (the “CMFA”), a joint exercise of powers authority and public entity of the State of California. CMFA is proposing the issuance of revenue bonds in an aggregate amount not to exceed \$13,000,000, (the “Bonds”). Proceeds will be used to finance the acquisition, development, rehabilitation, and equipping of a 50-unit affordable rental housing facility for low-income households located at 532 16th Street in the City of Oakland (the “Project”).

The role of the City in these instances is to hold a Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) hearing. This Act requires the local legislative body of the local agency in which the project is located to notice and conduct a public hearing (the “TEFRA Hearing”). The Treasury Bureau held the TEFRA Hearing on February 12, 2025, to allow the public to voice any objections to the proposed project financing. There were no public comments. The City’s approval is always made by the Mayor as its “chief elected executive officer.” However, in the current environment, the City has an Interim Mayor who was not elected in a citywide election to the position. In light of the foregoing, and in order to support affordable housing, staff recommends that the City approve a TEFRA Approval in favor of the issuance of the Bonds by the CMFA.

City Council
March 18, 2025

REASON FOR URGENCY

The Project is ready to convert from the construction phase to the permanent phase of its financing. An increase in the permanent phase bond amount (as described in Background / Legislative History) causes a technical re-issuance of the bonds pursuant to IRS regulations, thus requiring a new TEFRA Hearing and resolution. Delays in the TEFRA process, and thus delays in the conversion to the permanent phase of financing, will increase interest costs to the Project, which has a negative financial impact on the Project.

BACKGROUND / LEGISLATIVE HISTORY

The 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 350 municipalities, including the City of Oakland, 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.

On January 20, 2021, the original TEFRA Hearing for the Project was held, and the financing was approved by Mayor Libby Schaaf on February 4, 2021 (***Attachment A***). The Project closed on the bond financing and has completed construction. The Project needs to increase the permanent amount of bonds in the permanent financing phase. This simply means that a lesser amount of bonds will be paid off with the permanent source of financing, leaving a larger bond amount throughout the permanent financing phase than originally anticipated. This increase triggers a technical reissuance of the bonds. Therefore, another TEFRA Hearing and approval must take place. No other aspect of the project or the bond financing has changed from the original TEFRA.

ANALYSIS AND POLICY ALTERNATIVES

The Borrower, a California limited partnership, or another entity created by 532 16th Street, Inc. (the "Developer"), or by an affiliate of the Developer requested that the CMFA serve as the municipal issuer of the Bonds in an aggregate principal amount not to exceed \$13,000,000 of tax-exempt revenue bonds. The proceeds of the Bonds will be used to finance the acquisition, development, rehabilitation and equipping of a 50-unit affordable rental housing facility for low-income households to be located at 532 16th Street in the City. By increasing and preserving the supply of affordable housing in Oakland, this proposed resolution would advance the City's goals of **housing, economic and cultural security**.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds after the technical "reissuance", the City must conduct a public 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 a TEFRA Hearing, reasonable notice must be provided to the members of the community. Notice was published in the Inter-City Express on February 5, 2025, and a TEFRA Hearing was held on February 12, 2025, by the Treasury Bureau. There were no public comments.

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. In the City’s case, the Mayor elected in a citywide election meets the definition, but an interim Mayor selected from the City Council does not. Therefore, the only option is to seek the approval of the full City Council to adopt the proposed resolution.

If the City Council approves the proposed resolution, the project will continue to benefit from the lower interest rate provided by tax-exempt bonds. Since this is a technical “reissuance” of the existing tax-exempt bonds, no new money is being provided to the Project. If the City Council does not approve the proposed resolution, the bonds are expected to become taxable, which will materially impact the viability of the Project.

FISCAL IMPACT

There is **no fiscal impact** to the City’s General Purpose Fund. 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, or 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.

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 Oakland, an amount of \$6,875 was granted to the City as part of the CMFA’s issuance fee sharing.

PUBLIC OUTREACH / INTEREST

The TEFRA rules only require one publication for the TEFRA Hearing. The notice was published in the Inter-City Express on February 5, 2025, and is posted to the City’s [website](#). The TEFRA Hearing was conducted on February 12, 2025, by the Treasury Bureau.

COORDINATION

This report was prepared by the Finance Department, and the legislation has been reviewed by the City Attorney’s Office.

SUSTAINABLE OPPORTUNITIES

Economic: By funding affordable housing, this would assist vulnerable Oaklanders who have been impacted the most by unaffordable rents. This is because one condition of the Project using tax-exempt bonds is that rents for apartments in the Project are restricted to 50-60% of Area Median Income.

Environmental: There are no environmental opportunities associated with this report.

Race & Equity: Investing in developing affordable housing in the city can significantly improve essential needs and services, including services in parts of the city that have historically been under-served.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Approving A Plan Of Finance Of The California Municipal Finance Authority To Issue And Reissue Revenue Bonds For A Qualified Residential Rental Project In An Aggregate Principal Amount Not To Exceed Thirteen Million Dollars (\$13,000,000) For The Benefit Of Adcock Joyner Preservation, LP, And Certain Other Matters Relating Thereto Pursuant To Section 147(f) Of The Internal Revenue Code (26 U.S.C. § 147(f)).

For questions regarding this report, please contact Dawn Hort, Assistant Treasury Administrator, at (510) 238-2994.

Respectfully submitted,



Erin Roseman (Mar 5, 2025 11:34 PST)

ERIN ROSEMAN
Director of Finance
Finance Department

Reviewed by:
Dawn Hort, Assistant Treasury Administrator
Treasury Bureau

Prepared by:
Greg Danielian, Financial Analyst
Treasury Bureau

Attachments (1):
Attachment A – TEFRA Approval 2021 Mayor Schaaf