



DATE: December 2, 2009

TO: Honorable Mayor and City Councilmembers
Chairman and Members of the Community Development Commission

FROM: Neighborhood Services Department
Housing and Code Enforcement Division

SUBJECT: **RESOLUTION SETTING FORTH THE CITY'S OFFICIAL INTENT TO ISSUE MULTIFAMILY HOUSING REVENUE BONDS IN A NOT-TO-EXCEED AMOUNT OF \$19,000,000 TO FINANCE THE ACQUISITION AND REHABILITATION OF RANCHO LAS BRISAS APARTMENTS, A 136-UNIT HOUSING COMPLEX LOCATED AT 3699 BERNARD DRIVE TO BE OWNED AND OPERATED BY LONE TREE EMPIRE, LLC.**

SYNOPSIS

Staff recommends that the City Council/Community Development Commission adopt the proposed inducement resolution setting forth the City's Official intent to issue tax-exempt multifamily housing revenue bonds in a not-to-exceed amount of \$19,000,000 to finance the acquisition and rehabilitation of the 136-Unit Rancho Las Brisas Apartments affordable housing project located at 3699 Barnard Drive to be owned and operated by Lone Tree Empire, LLC.

BACKGROUND

To issue tax-exempt multifamily mortgage revenue bonds the Internal Revenue Code requires the City and the borrower, Lone Tree Empire, LLC (the "Developer"), to apply for allocation of the State bond ceiling from the California Debt Limit Allocation Committee (the "Committee"). The Developer will request an allocation from the Committee in an amount not to exceed \$19,000,000 of tax-exempt multifamily mortgage revenue bonds (the "Bonds"). Additionally, the Developer has spent funds for the acquisition of the project which may be reimbursed from bond proceeds upon a declaration of official intent of the City to reimburse certain expenditures from the proceeds of Bonds. Adoption of this resolution does not obligate the City Council to issue the Bonds.

ANALYSIS

The Bonds will be tax-exempt multifamily mortgage revenue bonds for the purposes of the Internal Revenue Code and, as such, require an allocation of the Committee from the State's mortgage revenue bond ceiling. The City will not be under any obligation to repay the Bond indebtedness.

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The Developer will apply to the Committee. Once an allocation for the project is received the City will be asked to approve the Bond documents and authorize the actual issuance of the Bonds. It is expected that this will occur in 2010. The project will add 136 units to the City's affordable housing inventory and assist in meeting the goals of the City's Affordable Housing Strategy.

FISCAL IMPACT

There is no direct or indirect financial impact to the City of Oceanside as a result of this proposed financing. The City will issue tax-exempt multifamily mortgage revenue bonds for the Project. The Bonds are payable solely out of the revenues derived by the Developer from the applicable Project. No financial obligations are placed on the City for project financing costs or debt repayment. If the Developer defaults on its repayment obligations with respect to the Bonds, the bond owner's security will be the apartment project and the City will have no legal obligation to make payments from any source of City funds. This action does not commit any other City Housing funds to the project. A comprehensive financial analysis will be completed by the City's approved financial consultant prior the issuance of the Bonds.

COMMISSION OR COMMITTEE REPORT

The proposed resolution will be reviewed by the Housing Commission at its November 30, 2009 meeting. The Commission's recommendation will be forwarded to the Council on December 1, 2009.

CITY ATTORNEY'S ANALYSIS

The resolution has been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council/Community Development Commission adopt the proposed inducement resolution setting forth the City's Official intent to issue tax-exempt multifamily housing revenue bonds in a not-to-exceed amount of \$19,000,000 to finance the acquisition and rehabilitation of the 136-Unit Rancho Las Brisas Apartments affordable housing project located at 3699 Barnard Drive to be owned and operated by Lone Tree Empire, LLC.

PREPARED BY:



David L. Manley
Neighborhood Services Division Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager
Margery Pierce, Neighborhood Services Director
Michele Lund, Treasury Manager




Attachments: Resolution, Project Budget

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RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE SETTING FORTH THE CITY'S OFFICIAL INTENT TO ISSUE MULTIFAMILY HOUSING REVENUE BONDS TO UNDERTAKE THE FINANCING OF A MULTIFAMILY RENTAL HOUSING PROJECT FOR THE BENEFIT OF LONE TREE EMPIRE, LLC AND ACTIONS RELATING THERETO

WHEREAS, the City of Oceanside (the "City") is authorized pursuant to Chapter 7 (commencing with Section 52075) of Part 5 of Division 31 of the California Health and Safety Code (the "Act") to provide assistance in financing multifamily residential rental housing developments within the City; and

WHEREAS, Lone Tree Empire, LLC, a California limited liability company (together with its successors and assigns, the "Borrower"), has requested assistance in financing the acquisition and rehabilitation of a 136-unit multifamily rental housing project located at 3699 Barnard Drive in the City of Oceanside (the "Project"); and

WHEREAS, the City, in the course of assisting the Borrower in financing the Project, expects that the Borrower has paid or may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Project within 60 days prior to the adoption of this Resolution and prior to the issuance of the Bonds for the purpose of financing costs associated with the Projects on a long-term basis; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the City to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent tax-exempt borrowing; and

WHEREAS, the City wishes to declare its intention to authorize the issuance of Bonds for the purpose of financing costs of the Project (including reimbursement of the Reimbursement Expenditures, when so requested by the Borrower upon such terms and condition as may then be agreed upon by the City, the Borrower and the purchaser of the Bonds) in an aggregate principal amount not to exceed \$19,000,000; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986 limits the amount of

1 multifamily housing mortgage revenue bonds that may be issued on behalf of for-profit borrowers
2 in any calendar year by entities within a state and authorizes the governor or the legislature of a
3 state to provide the method of allocation within the state; and

4 WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the California Government Code
5 governs the allocation of the state ceiling among governmental units in the State of California
6 having the authority to issue private activity bonds; and

7 WHEREAS, Section 8869.85 of the California Government Code requires a local agency
8 desiring an allocation of the state ceiling to file an application with the California Debt Limit
9 Allocation Committee (the "Committee") for such allocation, and the Committee has certain
10 policies that are to be satisfied in connection with any such application;

11 NOW, THEREFORE, BE IT RESOLVED by the City Council of Oceanside as follows:

12 Section 1. The above recitals, and each of them are true and correct.

13 Section 2. The City hereby determines that it is necessary and desirable to provide
14 financing for the Project (including reimbursement of the Reimbursement Expenditures) by the
15 issuance and sale of Bonds pursuant to the Act, as shall be authorized by resolution of the City at
16 a meeting to be held for such purpose, in an aggregate principal amount not to exceed
17 \$19,000,000. This action is taken expressly for the purpose of inducing the Borrower to
18 undertake the Project, and nothing contained herein shall be construed to signify that the Project
19 complies with the planning, zoning, subdivision and building laws and ordinances applicable
20 thereto or to suggest that the City or any officer or agent of the City will grant any such approval,
21 consent or permit that may be required in connection with the acquisition and construction or
22 rehabilitation of the Project, or that the City will make any expenditures, incur any indebtedness,
23 or proceed with the financing of the Project.

24 Section 3. This resolution is being adopted by the City solely for purposes of
25 establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. In
26 such regard, the City hereby declares its official intent to use proceeds of indebtedness to
27 reimburse the Reimbursement Expenditures.

28 Section 4. The officers and/or the agents of the City are hereby authorized and

1 directed to apply to the Committee for an allocation from the state ceiling of private activity
2 bonds to be issued by the City for the Project in an amount not to exceed \$19,000,000, and to take
3 any and all other actions as may be necessary or appropriate in connection with such application,
4 including but not limited to the payment of fees, the posting of deposits and the provision of
5 certificates, and any such actions heretofore taken by such officers and program managers are
6 hereby ratified, approved and confirmed.

7 Section 5. This Resolution shall take effect from and after its adoption.

8 PASSED AND ADOPTED by the City Council of the City of Oceanside, California this
9 ___ day of December, 2009, by the following vote:

- 10 AYES:
- 11 NOES:
- 12 ABSENT:
- 13 ABSTAIN:

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15 _____
MAYOR OF THE CITY OF OCEANSIDE

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17 ATTEST:

APPROVED AS TO FORM:

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19 By: _____
20 CITY CLERK

By:  _____
CITY ATTORNEY

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26 ISSUE MULTIFAMILY HOUSING REVENUE BONDS TO UNDERTAKE THE FINANCING OF A
27 MULTIFAMILY RENTAL HOUSING PROJECT FOR THE BENEFIT OF LONE TREE EMPIRE, LLC AND
28 ACTIONS RELATING THERETO