

STAFF REPORT*CITY OF OCEANSIDE*

DATE: September 10, 2008

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

FROM: Neighborhood Services Department
Housing and Code Enforcement Division

SUBJECT: **ADOPTION OF A RESOLUTION APPROVING THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS BY THE CITY IN A NOT-TO-EXCEED AMOUNT OF \$15,000,000 TO FINANCE THE ACQUISITION AND REHABILITATION OF SHADOW WAY APARTMENTS, A 144-UNIT HOUSING COMPLEX LOCATED AT 4707 YUMA AVENUE TO BE OWNED AND OPERATED BY SHADOW WAY APARTMENTS, L.P.**

SYNOPSIS

Staff recommends that the City Council/Community Development Commission hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing in order to consider the issuance of tax-exempt multifamily housing revenue bonds to finance the acquisition and rehabilitation of the 144-Unit Shadow Way Apartments affordable housing project; and adopt a resolution approving the issuance of the bonds by the City.

BACKGROUND

To issue tax-exempt revenue bonds the Internal Revenue Code requires the City Council to hold a TEFRA public hearing and to approve the bonds. Shadow Way Apartments, L.P. (the "Developer") has requested that the City issue up to \$15.0 million of tax-exempt revenue bonds (the "Bonds"). The City will loan the proceeds of the Bonds to the Developer who will use the proceeds of the Bonds for the acquisition and rehabilitation of a 144-unit multifamily housing project located at 4707 Yuma Avenue in the City of Oceanside (the "Project"). This source of funding is one component of the Project's approximately \$28.12 million total Financing Plan.

ANALYSIS

The Bonds will 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 the City to issue such Bonds, the City at this time must: (1) conduct a public hearing allowing members of the public to comment on the proposed Project, and (2) approve a resolution authorizing the issuance of the Bonds.

The Developer will apply to the California Debt Limit Allocation Committee (CDLAC) for an allocation of the State's annual volume limit imposed by Federal tax law. 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 early 2009.

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 revenue bonds for the Project. The tax-exempt revenue 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.

COMMISSION OR COMMITTEE REPORT

Does not apply.

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 hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing in order to consider the issuance of tax-exempt multifamily housing revenue bonds to finance the acquisition and rehabilitation of the 144-Unit Shadow Way Apartments affordable housing project; and adopt a resolution approving the issuance of the bonds by the City.

PREPARED BY:



David L. Manley
Neighborhood Services Division Manager

SUBMITTED BY:



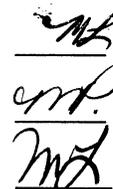
Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Margery Pierce, Neighborhood Services Director

Michele Lund, Treasury Manager



Attachments: Resolution, Project Budget

1 RESOLUTION NO. _____

2 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
3 OCEANSIDE, CALIFORNIA APPROVING THE ISSUANCE,
4 SALE AND DELIVERY BY THE CITY OF MULTIFAMILY
5 RENTAL HOUSING REVENUE BONDS FOR THE
6 ACQUISITION AND REHABILITATION OF THE SHADOW
7 WAY APARTMENTS

8 WHEREAS, Shadow Way Apartments, L.P., a California limited partnership (“SWA”)
9 has requested the City to assist SWA, or a related entity, by providing financing for the
10 acquisition and rehabilitation of an existing 144-unit multifamily rental housing project known as
11 the Shadow Way Apartments (the “Project”) located 4707 Yuma Avenue in the City of
12 Oceanside, California by approving the issuance by the City of Oceanside (the “City”) of
13 multifamily housing revenue bonds (the “Bonds”); and

14 WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986, as
15 amended (the “Code”), the Bonds are required to be approved, following a public hearing, by an
16 elected representative or representatives of the governmental unit having jurisdiction over the
17 area in which the Project is located; and

18 WHEREAS, the Project is located wholly within the geographic jurisdiction of the City;
19 and

20 WHEREAS, the City Council is the elected legislative body of the City; and

21 WHEREAS, the City has caused a notice to appear in the North County Times, which is a
22 newspaper of general circulation in the City, on August 27, 2008 to the effect that a public
23 hearing would be held by the City Council on September 10, 2008, regarding the issuance of the
24 Bonds by the City; and

25 WHEREAS, on September 10, 2008, the City Council held said public hearing, at which
26 time an opportunity was provided to present arguments both for and against the issuance of the
27 Bonds; and

28 WHEREAS, SWA has expended and will expend moneys in connection with the
acquisition and rehabilitation of the Project prior to the date that any Bonds are issued; and

1 NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Oceanside,
2 California, as follows:

3 SECTION 1. The City Council does hereby find and declare that the above recitals are
4 true and correct.

5 SECTION 2. Pursuant to Section 147(f) of the Code, the City Council hereby approves
6 the issuance of the Bonds by the City in one or more series, in an aggregate principal amount not
7 to exceed \$15,000,000 to finance the acquisition and renovation of the Project and to reimburse
8 SWA for Project expenditures incurred prior to the issuance of any Bonds. It is the purpose and
9 intent of the City Council that this Resolution constitutes approval of the issuance of the Bonds
10 by the applicable elected representative of the governmental unit having jurisdiction over the area
11 in which the Project is located, in accordance with said Section 147(f).

12 SECTION 3. This Resolution shall take effect from and after its adoption.

13 PASSED AND ADOPTED by the City Council of the City of Oceanside, California this
14 _____ day of _____, 2008, by the following vote:

- 15 AYES:
- 16 NOES:
- 17 ABSENT:
- 18 ABSTAIN:

19 _____
MAYOR

20 APPROVED AS TO FORM:

21 By: *Andrew Samulson*, ASST.
22 CITY ATTORNEY

23 ATTEST:

24 By: _____
25 CITY CLERK

26
27 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE, CALIFORNIA APPROVING THE
28 ISSUANCE, SALE AND DELIVERY BY THE CITY OF MULTIFAMILY RENTAL HOUSING REVENUE
BONDS FOR THE ACQUISITION AND REHABILITATION OF THE SHADOW WAY APARTMENTS

SHADOW WAY - OCEANSIDE, CA
DEVELOPMENT COSTS / SOURCES AND USES
 Acquisition/Rehab

18-Jul-08

SOURCES OF FUNDS
 CONSTRUCTION

CONSTRUCTION LOAN	\$14,000,000
WAG PREDEVELOPMENT LOAN	
COSTS PAID AT PERM CLOSING	2,154,334
EQUITY	6,279,351
DEVELOPER NOTE	0
CONSTRUCTION PERIOD CASH FLOW	89,153
CITY OF OCEANSIDE LOAN	5,600,000
TOTAL SOURCES	\$28,122,839

PERMANENT

TAX CREDIT EQUITY	\$7,489,266
PERMANENT FINANCING	14,000,000
DEVELOPER NOTE	1,033,573
OTHER	0
SELLER NOTE	0
GP LOAN	0
CITY OF OCEANSIDE LOAN	5,600,000
TOTAL SOURCES	\$28,122,839

USES OF FUNDS

ACQUISITION & PRE DEVELOPMENT

PURCHASE PRICE	\$19,290,000
CLOSING AND TITLE	30,000
LEGAL/BROKER	0
ARCHITECTURE/ENGINEERING/FEASIBILITY	85,825
PRE DEV. FIN. AND CARRY	0
SUBTOTAL	\$19,405,825

CONSTRUCTION

FEES AND PERMITS	\$25,000
ONSITE/OFFSITE	0
BASE CONSTRUCTION	4,199,040
EXTERIOR COMMON AREA	0
MODELS, REC. BUILDING, AND FURNISHINGS	0
INDIRECT/ONSITE SUPERVISION	233,280
DEVELOPER OVERHEAD & FEE	2,500,000
BRIDGE LOAN FEES & INTEREST	0
CREDIT ENHANCEMENT FEES	0
CONSTR. INTEREST	0
CONST FEES/APPRaisal/TAXES/TITLE	34,000
CONSTRUCTION CONTINGENCY	206,064
SOFT COSTS CONTINGENCY/INT CAP	35,656
SUBTOTAL	\$7,233,040

LEASE UP AND SALES

OPERATING RESERVE	366,166
MARKETING/LEASING/LEGAL/RELOCATION	525,800
LEASE UP PERIOD INTEREST & CARRY	8,169
PERMANENT FINANCING COSTS	477,864
SYNDICATION EXPENSE	15,000
TCAC APPLICATION/MONITOR. FEES	90,975
SUBTOTAL	\$1,483,974

TOTAL USES	\$28,122,839
-------------------	---------------------