



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 24-403

Meeting Date: 11/19/2024

TITLE:

PUBLIC HEARING ON ISSUANCE OF TAX-EXEMPT BONDS FOR MESA VISTA APARTMENTS AND RESOLUTION APPROVING THE ISSUANCE OF BONDS

DEPARTMENT: CITY MANAGER'S OFFICE

PRESENTED BY: NATE ROBBINS, NEIGHBORHOOD IMPROVEMENT MANAGER

CONTACT INFORMATION: NATE ROBBINS, NEIGHBORHOOD IMPROVEMENT MANAGER; 714-754-5274

RECOMMENDATION:

1. Conduct a Tax Equity and Fiscal Responsibility Act Hearing, as required by Section 147(f) of the Internal Revenue Code of 1986 to receive comments in consideration of the issuance of tax-exempt bond financing by the California Statewide Communities Development Authority for the benefit of Costa Mesa M6 LP, to provide financing for the acquisition, construction, improvement, and equipping of an 87-unit multifamily rental housing project generally known as Mesa Vista Apartments.
2. Adopt a resolution approving the issuance of Bonds by the California Statewide Communities Development Authority not to exceed \$25,000,000 for the benefit of Costa Mesa M6 LP, to provide financing for the acquisition, construction, improvement, and equipping of an 87-unit multifamily rental housing project generally known as Mesa Vista Apartments.

BACKGROUND:

On December 6, 2022, the City of Costa Mesa (City) entered into an affordable housing agreement with CM Mercy House CHDO, LLC to help fund the acquisition and conversion of the Motel 6 at 2274 Newport Boulevard into permanent housing. The project was separated into two (2) phases. Phase 1 was completed in early 2023 and produced 40 units of Permanent Supportive Housing for individuals experiencing homelessness. The commencement of Phase 2 is contingent upon the receipt of tax-exempt multi-family housing revenue bonds and, upon completion, will produce 47 units (one is a manager's unit) of general affordable housing for Costa Mesa senior citizens earning at or below 50% of the Area Median Income.

Costa Mesa M6 LP has requested that the California Statewide Communities Development Authority ("CSCDA") act as the municipal issuer of tax-exempt multi-family housing revenue bonds in an aggregate principal amount of up to \$25,000,000. On August 6, 2024, the project received an award of private activity bond allocation from the California Debt Limit Allocation Committee (CDLAC) of \$23,185,979. (CDLAC Resolution and California Tax Credit Allocation Committee Reservation Letter - Attachment 1 & 2) There is an approximately 9% supplemental request added to the bond allocation

amount to account for any contingencies during construction. The tax-exempt bond proceeds will finance the acquisition, construction, and equipping of the 87-unit affordable multifamily rental project at 2274 Newport Boulevard, Costa Mesa, which will be owned and operated by Costa Mesa M6 LP.

CSCDA is a joint powers authority sponsored by the League of California Cities ("League") and the California State Association of Counties ("CSAC"). CSCDA was created by the League and CSAC in 1988 to enable local government and eligible private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the quality of life in local communities throughout California. CSCDA is comprised of more than 530 members, including the City of Costa Mesa. CSCDA has issued more than \$75 billion and over 1,800 financings since 1988 and consistently ranks in the top 10 of more than 3,000 nationwide public issuers of tax-exempt debt, as measured by annual issuance amount.

ANALYSIS:

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Costa Mesa must conduct a public hearing (the "TEFRA Hearing") providing 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. Adoption of the resolution is solely for the purposes of satisfying the requirements of the Tax Equity and Fiscal Responsibility Act (TEFRA), the Internal Revenue Code and the California Government Code Section 6500 (and following). Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. 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. A public notice was published on November 8, 2024.

ALTERNATIVES:

The City Council may choose not to approve the Resolution, in which case the Borrower would need to seek authorization from another applicable elected representative body, such as the County of Orange, or secure a different financing source for the project at 2274 Newport Boulevard, Costa Mesa.

FISCAL REVIEW:

There is no fiscal impact to the City. The Bonds will be issued as limited obligations of CSCDA, payable solely from revenues and receipts derived from a loan to be made by CSCDA to the Borrower with the Bond proceeds. The City bears no liability with respect to the issuance of the Bonds. Further, the City is not a party to any of the financing documents related to the Bond issuance and is not named in any of the disclosure documents describing the Bonds or the proposed financing.

LEGAL REVIEW:

The City Attorney approves this report and its attachments as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Diversify, Stabilize and Increase Housing to Reflect Community Needs.

CONCLUSION:

Approval of this resolution allows for the issuance of tax-exempt bonds that will finance an affordable housing project, meeting the legal requirements and supporting the City's housing goals. Staff recommends the City Council:

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