

**City of Garden Grove**

**INTER-DEPARTMENT MEMORANDUM**

To: Allan Roeder  
From: Susan Emery  
Dept: Interim City Manager  
Dept: Community Development  
Subject: ADOPTION OF A RESOLUTION APPROVING THE ISSUANCE OF BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY TO ASSIST WITH THE FINANCING OF THE BRIAR CREST/ROSECREST APARTMENTS PROJECT FOR AFFORDABLE HOUSING LOCATED AT 11681, 11682, 11701, 11702, AND 11762 STUART DRIVE, GARDEN GROVE (PUBLIC HEARING)  
Date: July 28, 2015

OBJECTIVE

The purpose of this report is to request that the City Council conduct a Public Hearing under the requirements of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) and the Internal Revenue Code of 1986 (the Code), as amended, regarding the issuance of \$7,000,000 of revenue bonds (Bonds) by the California Municipal Finance Authority (CMFA) for the rehabilitation of two existing apartment complexes known together as the Briar Crest/Rosecrest Apartments Project; and The City Council adopt a resolution approving the issuance of the Bonds by the CMFA for the benefit of JHC-Acquisitions, LLC to provide for the financing of the Briar Crest/Rosecrest Apartments Project, such adoption is solely for the purpose of satisfying the requirements of TEFRA, the Code and the California Government Code Section 6500, *et seq.*

BACKGROUND

JHC-Acquisitions, LLC (JHC) has requested that the CMFA serve as the municipal issuer of the Bonds in an aggregate principal amount not to exceed \$7,000,000 of tax-exempt revenue bonds. The proceeds of the Bonds will be directed and expended for the rehabilitation, improvement and equipping of two existing, multifamily rental complexes, which are commonly called the Briar Crest and Rosecrest Apartments and located at 11681, 11682, 11701, 11702 and 11762 Stuart Drive, Garden Grove (together, the Project) to be owned and operated by JHC or an affiliate of JHC (as Borrower).

ISSUE BONDS TO ASSIST WITH  
FINANCING BRIAR CREST/ROSECREST PROJECT  
July 28, 2015  
Page 2

In order for all, or a portion of the Bonds, to qualify as tax-exempt bonds, the City, as the governmental unit hosting the Project, must conduct a public hearing pursuant to TEFRA (TEFRA Hearing) to provide the community and other interested persons an opportunity to present testimony, both oral and written, in favor of, or against, or generally about, the use of tax-exempt bonds as a source of financing for the Project. Prior to this TEFRA Hearing, reasonable public notice must be provided to the community, which has occurred. 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; here, that is the City Council by adoption of the attached resolution.

DISCUSSION

The Briar Crest/Rosecrest Apartments Project includes the rehabilitation of two existing apartment complexes: Briar Crest that consists of four buildings with eight units in each building that was built in 1962, and Rosecrest that consists of one building with ten units that was built in 1958. As a part of the rehabilitation, one unit will be converted to office space for property management, for a total of 41 affordable units post-rehabilitation. All interiors of the 41 units will be updated and the exteriors of all five buildings will be renovated. The Project, as improved, will include common amenities for the residents, including a computer lab and community space with a kitchen and media area, as well as a tot-lot, a barbeque pit, and a laundry facility. The apartment unit interior improvements will include central air, dishwasher, patio or balcony with storage, sliders and upgraded plank vinyl flooring. All 41 units will be restricted for occupancy by eligible, low income households with annual gross income at or below 60% of area median income and with monthly housing cost at an affordable rent. The Project documents will include a regulatory agreement with an affordability term of 55 years to be recorded against the property, which will covenant the site to be used and operated as affordable housing in the community for the next 55 years.

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, 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 and shall never become obligations of the City or the Garden Grove Housing Authority or the State of California, but are to be paid for solely from funds provided by the Borrower.

FINANCIAL IMPACT

There is no financial impact to the City; as noted, the City itself is not a party to the underlying financing, is not issuing the Bonds, is not obligated to repay the Bonds, and is not pledging or otherwise committing any of the City's (or Housing Authority's) revenue or other assets to secure repayment of the Bonds. The Bonds are payable

ISSUE BONDS TO ASSIST WITH  
FINANCING BRIAR CREST/ROSECREST PROJECT

July 28, 2015

Page 3

solely from revenue received pursuant to the terms and provisions of certain financing agreements to be executed by the Borrower. As a part of such financing documents, the Borrower will agree to provide comprehensive indemnification of the CMFA and its members, including the City and the Housing Authority.

The Board of Directors of the California Foundation for Stronger Communities, a California non profit public benefit corporation (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, it is expected that a portion of the issuance fee attributable to the City will be granted by the CMFA to the General Fund of the City. This grant may be used for any lawful purpose of the City. The Borrower will be the beneficiary of the CMFA's charitable donation through a 25% reduction in issuance fees.

RECOMMENDATION

It is recommended that the City Council:

- Conduct the TEFRA Hearing, accept and consider comments and any oral and written testimony, regarding the adoption of the resolution approving the issuance of the Bonds by the CMFA for the benefit of the Borrower to provide for the financing of the Briar Crest/Rosecrest Apartments affordable housing Project.
- Adopt the attached City Council Resolution in favor of the issuance of the Bonds by the CMFA for the Briar Crest/Rosecrest Apartments Project.



SUSAN EMERY  
Assistant City Manager



By: Nida Watkins  
Neighborhood Improvement Supervisor

Attachment: City Council Resolution

Approved for Agenda listing



Allan L. Roeder  
Interim City Manager

## GARDEN GROVE CITY COUNCIL

## RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE APPROVING THE ISSUANCE OF THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$7,000,000 FOR THE PURPOSE OF FINANCING THE REHABILITATION, IMPROVEMENT AND EQUIPPING OF THE BRIAR CREST/ROSECREST APARTMENTS PROJECT, AN AFFORDABLE HOUSING PROJECT LOCATED AT 11681, 11682, 11701, 11702 AND 11762 STUART DRIVE, GARDEN GROVE; AND APPROVING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the City of Garden Grove ("City") is a California municipal corporation and general law city;

WHEREAS, JHC-Acquisitions LLC, a California limited liability company, or related entities ("Borrower"), has requested that the California Municipal Finance Authority ("CMFA") participate in the issuance of one or more series of revenue bonds issued from time to time, including bonds issued to refund such revenue bonds in one or more series from time to time, in an aggregate principal amount not to exceed \$7,000,000 ("Bonds") for the rehabilitation, improvement and equipping of the Briar Crest/Rosecrest Apartments Project located at 11681, 11682, 11701, 11702 and 11762 Stuart Drive, Garden Grove, California;

WHEREAS, the Briar Crest/Rosecrest Apartments Project includes the rehabilitation of two existing apartment complexes: Briar Crest that consists of four buildings with eight units in each building that was built in 1962, and Rosecrest that consists of one building with ten units that was built in 1958, and as a part of the rehabilitation, one unit will be converted to office space for property management, for a total of 41 affordable units post-rehabilitation, with all unit interiors to be updated and the exteriors of all five buildings to be renovated (together, the "Project");

WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986 ("Code"), the issuance of the Bonds by the CMFA must be approved by the City, as the host governmental unit, because the Project is located within the territorial limits of the City;

WHEREAS, the City Council of the City of Garden Grove ("City Council") is the elected legislative body of the City and is one of the "applicable elected representatives" required to approve the issuance of the Bonds under Section 147(f) of the Code;

WHEREAS, the CMFA has requested that the City Council approve the issuance of the Bonds by the CMFA in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 4 of the Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of

January 1, 2004, ("Agreement"), among certain local agencies, including the City; and

WHEREAS, pursuant to Section 147(f) of the Code, the City Council has, following notice duly given, held a Public Hearing, including accepting and considering oral and written testimony, regarding the issuance of the Bonds and now desires to approve the issuance of the Bonds by the CMFA.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Garden Grove as follows:

Section 1. The foregoing recitals are true and correct and a substantive part of this Resolution.

Section 2. The City Council hereby approves the issuance of the Bonds by the CMFA. It is the purpose and intent of the City Council that this Resolution constitute approval of the issuance of the Bonds by the CMFA, for the purposes of (i) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f) and (ii) Section 4 of the Agreement.

Section 3. The issuance of the Bonds shall be subject to the approval of the CMFA of all financing documents relating thereto to which the CMFA is a party. The City shall have no responsibility or liability, financially, legally, ethical or otherwise, whatsoever with respect to the Bonds. The City does not warrant the creditworthiness of the Bonds or guarantee, in any way, the payment of the Bonds. No moneys of the City will be pledged or applied to the repayment of the Bonds.

Section 4. The adoption of this Resolution shall not obligate the City, or any department of the City, or any other governmental entity formed or governed by the City, including without limitation the Garden Grove Housing Authority, to (i) provide any financing to acquire or construct or cause the rehabilitation of the Project or any refinancing of the Project; (ii) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary for the construction, rehabilitation, installation, equipping or operation of the Project; (iii) make any contribution or advance any funds or in kind consideration whatsoever to the CMFA; or (iv) take any further action with respect to the CMFA or its membership therein.

Section 5. The officers of the City, in particular the Interim City Manager, and the City Manager, and each of their authorized representatives, are hereby authorized and directed, jointly and severally, to do and take any and all actions necessary to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the financing transaction approved hereby.

Section 6. This Resolution shall take effect immediately upon its adoption; and the City Clerk shall certify to its adoption.