

CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 11/28/06
AGENDA ITEM 8
WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Director of Community and Economic Development
SUBJECT: Authorization of Issuance of Multi-Family Housing Revenue Bonds (Saklan Family Housing Development) 2006 Series A, and Execution of Related Documents

RECOMMENDATION:

It is recommended that the City Council:

- Adopt the attached resolution authorizing the issuance of up to \$14,000,000 in tax-exempt multifamily housing revenue bonds to assist in the construction and development of the Saklan Family Housing development;
- Authorize the City Manager to execute implementing documents in connection with the proposed issuance.

BACKGROUND:

The 78-unit Saklan Family Housing project proposal was approved by City Council on March 14, 2006. The 3.5-acre site proposed for this development is located at 22958 Saklan Road, in the Mt. Eden neighborhood. Eden Housing Inc., (EHI) will develop the project in partnership with La Vista, LLC, an affiliate of the DeSilva Group. This development is intended to satisfy the City's Inclusionary Housing Ordinance requirements for three proposed market-rate housing developments: La Vista, Garin Vista, and the KB Homes/Dutra project in the Mt. Eden annexation area.

On June 27, 2006, the City Council conducted a Tax Equity and Fiscal Responsibility Act of 1985 (TEFRA) hearing and conditionally approved a resolution of inducement authorizing the tax-exempt multifamily mortgage revenue bonds for the construction of the Saklan Family Housing development. The City Council also authorized the City to apply to the California Debt Limit Allocation Committee (CDLAC) for an allocation of multifamily mortgage revenue bonds. In July 2006, at the request of Eden Housing, Inc. (EHI), the City applied for an allocation of \$16.7 million in mortgage bond authority. On September 21, 2006, the City was awarded the requested allocation. Eden Housing has requested that the City issue these bonds.

EHI proposes to use several sources of funds to pay for the development, including land contributed by the DeSilva Group, the tax-exempt multi-family housing revenue bonds, tax-credit equity (from the Low-Income Housing Tax Credit Program), and a low-interest loan from the State of California Multifamily Housing Program (MHP). The total project development cost is estimated to be approximately \$26 million.

The attached bond resolution authorizes the City Manager to execute the associated bond documents, which are on file in the office of the City Clerk. The resolution also names the law firm of Jones Hall as bond counsel and CSG Advisors as financial advisor to the City in connection with the issuance of the bonds.

The construction bonds will be secured by EHI's assets, and the permanent portion of the debt will be secured by a first deed of trust on the property. EHI has accepted a proposal from Union Bank of California to privately purchase these bonds for both the construction and permanent periods. The bonds will be amortized over 30 years. The Master Pledge and Assignment Agreement between the City and Union Bank, as the City's agent and holder of the bonds, provides that the City does not back the bonds and is not liable to make bond payments under any circumstances. Payment of the bond principal and interest is solely from the project revenues. Thus, the City is free of any responsibility or obligation to pay principal or interest on the bonds, nor is the City's credit worthiness involved in or affected by this transaction. The City is not providing any additional financing for this project.

The issuance of tax exempt bonds for the development of the project will help the City meet its mandated housing affordability goals. Also, pursuant to the City/EHI Regulatory Agreement, EHI will restrict occupancy of 77 of the units to households who earn 50% of Area Median Income (AMI) or less. A household of four with an annual income of 50% of AMI currently earns \$41,900 or less per year. One of the units will be reserved for an on-site manager. EHI will own the development, maintaining quality property management services throughout the 55-year affordability period. The property will be monitored by the City at least once each year, and all tenants will be income certified by EHI on an annual basis. The City will receive a fee each year from EHI for monitoring the project.

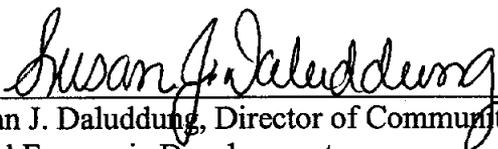
If the City Council approves the attached resolution, the financing will be scheduled to close in mid-December. It is anticipated that building permits will be issued in December, as construction must begin in December in order for Eden to fulfill the obligations of the financing. Construction is expected to be completed by May 2008.

Prepared by:



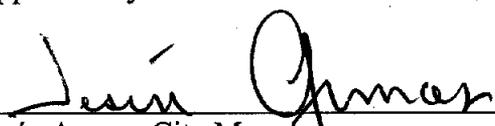
for _____
Maret Bartlett, Redevelopment Director

Recommended by:



Susan J. Daluddung, Director of Community
and Economic Development

Approved by:



Jesús Armas, City Manager

Resolution

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HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

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11/22/06

**RESOLUTION OF THE CITY OF HAYWARD
AUTHORIZING THE ISSUANCE, SALE AND DELIVERY
OF CITY OF HAYWARD MULTIFAMILY HOUSING
REVENUE BONDS (SAKLAN FAMILY HOUSING) 2006
SERIES A, AUTHORIZING THE EXECUTION AND
DELIVERY OF A MASTER PLEDGE AND ASSIGNMENT, A
MASTER AGENCY AGREEMENT AND A REGULATORY
AGREEMENT, AND AUTHORIZING THE EXECUTION
AND DELIVERY OF AND APPROVING OTHER RELATED
DOCUMENTS AND APPROVING OTHER RELATED
ACTIONS IN CONNECTION THEREWITH**

WHEREAS, Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act"), authorizes cities to incur indebtedness for the purpose of financing the acquisition, construction and development of multifamily rental housing facilities to be occupied in part by persons of low and very low income;

WHEREAS, the City of Hayward (the "City") hereby finds and declares that it is necessary, essential and a public purpose for the City to engage in a program (the "Program") of financing the acquisition, construction and development of multifamily rental housing facilities, and has determined to borrow money for such purpose by the issuance of revenue bonds as authorized by the Act;

WHEREAS, the City hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act;

WHEREAS, Saklan Avenue Limited Partnership, a California limited partnership (the "Borrower"), has requested that the City issue and sell the Bonds (hereinafter defined) for the purpose of financing the acquisition, construction and development of a multifamily rental housing project commonly known as Saklan Family Housing, located at 22958 Saklan Road, Hayward, California, (the "Project"); and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds and the implementation of the Program as contemplated by this resolution and the documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

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

Section 1. The City hereby finds and declares that the above recitals are true and correct.

Section 2. Pursuant to the Act and the Pledge and Assignment (hereinafter defined), revenue bonds of the City, designated as "City of Hayward Multifamily Housing Revenue Bonds (Saklan Family Housing) 2006 Series A" in an aggregate principal amount not to exceed \$16,700,000 (the "Bonds"), are hereby authorized to be issued. The Bonds shall be executed by the manual or facsimile signature of the City Manager of the City, and attested by the manual or facsimile signature of the City Clerk of the City, in the form set forth in and otherwise in accordance with the Pledge and Assignment.

Section 3. The form of master pledge and assignment by and among the City, Union Bank of California, N.A., as Agent, and Union Bank of California, N.A., as Holder (the "Pledge and Assignment"), in the form on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Pledge and Assignment in said form, with such additions thereto or changes therein as are recommended or approved by the City Manager upon consultation with bond counsel to the City, including such additions or changes as are necessary or advisable in accordance with Section 8 hereof, the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the City of the Pledge and Assignment.

Section 4. The form of master agency agreement by and between the City and Union Bank of California, N.A., as agent (the "Agency Agreement"), in the form on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Agency Agreement in said form, with such additions thereto or changes therein as are recommended or approved by the City Manager upon consultation with bond counsel to the City, including such additions or changes as are necessary or advisable in accordance with Section 8 hereof, the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the City of the Agency Agreement.

Section 5. The form of regulatory agreement and declaration of restrictive covenants relating to the Bonds (the "Regulatory Agreement") between the City and the Borrower, in the form on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Regulatory Agreement in said form, with such additions thereto or changes therein as are recommended or approved by such officers upon consultation with bond counsel to the City, including such additions or changes as are necessary or advisable in accordance with Section 8 hereof, the approval of such additions or changes to be conclusively evidenced by

the execution and delivery by the City of the Regulatory Agreement.

Section 6. The Bonds, when executed, shall be delivered to Union Bank of California, N.A., as the initial holder thereof, upon the initial funding of the Loan (as defined in the Pledge and Assignment) with the purchase price for the Bonds.

Section 7. The law firm of Jones Hall, A Professional Law Corporation, is hereby named as bond counsel to the City in connection with the issuance of the Bonds. The financial advisory firm of CGS Advisors, Inc. is hereby named as financial advisor to the City in connection with the issuance of the Bonds. The fees and expenses of bond counsel and the financial advisor are to be paid solely from the proceeds of the Bonds or directly by the Developer.

Section 8. All actions heretofore taken by the officers and agents of the City with respect to the establishment of the Program and the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the City, including the City Manager, are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution and resolutions heretofore adopted by the City and in order to carry out the Program, including but not limited to those certificates, agreements, deeds of trust and other documents described in the Pledge and Assignment, the Agency Agreement, the Regulatory Agreement and the other documents herein approved and any certificates, agreements or documents as may be necessary to further the purpose hereof, including, but not limited to, any subordination agreement required to be executed in connection with the proposed financing, but which shall not create any obligation or liability of the City other than with respect to the revenues and assets derived from the proceeds of the Bonds.

Section 9. This resolution shall take effect immediately upon its adoption.

IN COUNCIL, HAYWARD, CALIFORNIA, NOVEMBER 28, 2006.

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward