



CITY OF

NEWPORT BEACH

City Council Staff Report

June 11, 2019
Agenda Item No. 23

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Resolution No. 2019-55: Authorization to Issue Obligations by the California Statewide Development Authority to Benefit the Harbor Pointe Senior Living Project

ABSTRACT:

The California Statewide Communities Development Authority (CSCDA) is a joint exercise of powers authority (JPA) used to assist private developers in the financing of economic development, housing, and charitable activities throughout California. Harbor Pointe Senior Living, LLC is seeking tax-exempt financing through CSCDA for a new senior living project located within City boundaries.

The Harbor Pointe Senior Living Project (the "Project") will be a 99-bed assisted and memory care community that will offer 24-hour assisted and memory care tailored to individual needs of residents in an infill location, which can service the residents of Newport Beach, Irvine and North Laguna.

Before moving forward with the financing, the Tax Equity and Fiscal Responsibility Act (TEFRA) tax law requires the local jurisdiction where the project will take place to: 1) hold a public hearing to allow members of the public and the governing board the ability to comment and approve or disapprove the issuance of bonds for the project; and 2) adopt a resolution approving the proposed tax-exempt financing. Any project not approved by the local jurisdiction will not be financed through CSCDA. The City of Newport Beach will have no financial or legal obligation, liability or responsibility for the Project or the repayment of the bonds for the financing of the Project.

RECOMMENDATION:

- a) Conduct and close the public hearing under the requirements of TEFRA and the Internal Revenue Code of 1986;

- b) Find the approval of this resolution is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly. Alternatively, find the approval of this resolution is not a project under CEQA Regulation Section 15061(b)(3) because it has no potential for causing a significant effect on the environment; and
- c) Adopt Resolution No. 2019-55, *A Resolution of the City Council of the City of Newport Beach, California, Approving the Issuance, Sale and Delivery of Multifamily Housing Revenue Bonds of the California Statewide Communities Development Authority for Harbor Pointe Senior Living.*

FUNDING REQUIREMENTS:

The City is not a party to any loan agreement or any other documents in connection with the issuance of the Obligations. The Obligations are not secured by any form of taxation or by any obligation of either the City or the Authority. The Obligations do not represent or constitute a general obligation of either the City or the Authority. The assets to be financed with the proceeds of the Obligations are located within the jurisdiction of the City. The Obligations are payable solely from amounts received pursuant to the terms and provisions of one or more loan agreements to be executed by the CSCDA and Harbor Pointe Senior Living, LLC. All financing documents with respect to the issuance of the bonds will contain clear disclaimers that the bonds are not obligations of the City of Newport Beach or the State of California.

DISCUSSION:

The CSCDA is a joint powers authority (JPA) established in 1988 by the League of California Cities and California State Association of Counties to assist with the financing of economic development, housing, and charitable activities throughout California. CSCDA is a public entity, separate and apart from each participating member with which it executes an agreement. CSCDA currently has over 530 member agencies and has issued in excess of \$60 billion in economic development bonds throughout California. The City of Newport Beach executed an agreement with CSCDA on November 17, 2014, becoming a member of the JPA.

This new senior living project is projected to cost \$75 million and will comprise a 99-bed assisted and memory care community located within the City of Newport Beach. The Project will offer 24-hour assisted and memory care tailored to individual needs of residents. The Project is the first senior living community built in Newport Beach since 1998 and is located in an infill location, which can service the residents of Newport Beach, Irvine and North Laguna.

The benefits that accrue to private developers seeking CSCDA financing include:

- Cost effective bond financing for a wide range of public benefit projects.
- In depth knowledge on the issuance and post issuance compliance requirements of private activity bonds, including the state volume cap process when applicable.
- Extensive experience in working with all public finance professionals covering the California marketplace.
- Recognized identity in the tax-exempt marketplace, which is key to marketing the sale of bonds.

CSCDA is authorized by its Agreement to issue bonds, notes, and other evidences of indebtedness or certificates of participation in leases or other agreements in order to promote economic development, housing and charitable activities. However, under the terms of the Agreement, CSCDA may not provide financing unless the governing body of the local jurisdiction where the project is located approves the project and its financing. Pursuant to the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), in order for all or a portion of issued bonds to qualify as tax-exempt, the local jurisdiction within which the project is located must: 1) hold a public hearing to allow members of the public and the governing board the ability to comment and approve or disapprove the issuance of bonds for the project; and 2) adopt a resolution approving the proposed tax-exempt financing. This provides members of the public and the governing board the ability to comment and approve or disapprove the issuance of bonds for the project. Any project not approved by the local jurisdiction will not be financed through CSCDA.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council finds the approval of the attached resolution is not subject to CEQA pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly. Alternatively, the City Council finds the approval of the attached resolution is not a project under CEQA Regulation Section 15061(b)(3) because it has no potential for causing a significant effect on the environment.

NOTICING:

The agenda item has been noticed in compliance with the public approval requirements of Section 147(f) of the Internal Revenue Code of 1986 (seven days in advance of the meeting at which the City Council considers the item). Notice of this meeting was also placed on the Agenda, which was posted at City Hall and on the City website.

ATTACHMENT:

Attachment A – Resolution No. 2019-55