



**Fremont City Council**

3300 Capitol Avenue  
Fremont, CA 94538

**SCHEDULED**

Meeting: 02/05/19 07:00 PM  
Div/Dept: Finance Department  
Category: Debt Financing

**STAFF REPORT (ID # 3668)**

Sponsors:  
DOC ID: 3668

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**BOND ISSUANCE FOR KDF COMMUNITIES - Public Hearing (Published Notice) in Accordance with the Tax Equity and Fiscal Responsibility Act (TEFRA) to Consider the Issuance of Tax-Exempt Bonds by California Statewide Communities Development Authority (CSCDA) for KDF Communities**

**Contact Persons:**

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**Executive Summary:** The California Statewide Communities Development Authority (CSCDA), a joint exercise of powers authority of which the City is a member, has been asked by KDF Communities to serve as the conduit issuer of tax-exempt bonds for the Glen Haven Apartments affordable housing project (the "Project") in the City of Fremont. CSCDA may not approve the bond financing unless and until the City Council approves the bond issuance after conducting a public hearing (referred to as a "TEFRA hearing").

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) mandates a public accountability procedure involving the legislative body of a local agency in which a proposed project (to be funded with tax-exempt bonds) is located. The TEFRA hearing is intended to provide members of the community an opportunity to speak on behalf of or against the proposed project. Once the TEFRA hearing has been conducted, the City Council is then asked to adopt a resolution approving the issuance of tax-exempt bonds for the project.

The bonds will be issued as limited obligations of CSCDA, and the City will have no liability with respect to the bonds or any role to play in the bond issuance other than the TEFRA hearing.

Staff recommends that the City Council conduct a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act and adopt a resolution approving the issuance of tax-exempt bonds for the Project.

**BACKGROUND:** CSCDA has been asked by KDF Communities to serve as the conduit issuer of tax-exempt bonds for the Project in the City of Fremont. CSCDA may not approve the bond financing unless and until the City Council approves the bond issuance after conducting a TEFRA hearing.

**DISCUSSION/ANALYSIS:** KDF Communities is one of the largest developers and owners of affordable family and senior housing developments in California. KDF has been involved in the construction, acquisition and rehabilitation of more than 5,300 affordable rental units in 44 properties throughout California.

The Project contains 81 units, 57 of which are restricted to low-income tenants. The Project will continue to provide 9 Very Low-Income units, 48 Low-Income units, and 1 manager's

unit. KDF Communities purchased the property in 2002 and is now seeking funding to recapitalize the Project. Recapitalization, involving financial restructuring and improvements being made to a property, is an action on existing low-income housing tax credit properties which is typical and is to be expected at certain periods in properties' lifecycles. As the Project's tax credit compliance period of 15 years has ended, it is allowable under federal IRS rules for the Project to receive a new tax credit allocation to rehabilitate the property.

**Affordability:** As detailed below, 70% of the Project's units' rents will remain at an affordable level for very low and low income households.

<b>Unit Size</b>	<b>Total Units</b>	<b>Square Feet</b>	<b>Monthly Rent</b>	<b>Utilities</b>	<b>Gross Rent</b>	<b>Affordability (% of AMI)</b>
1BR/1BA	11	585	\$1,218	\$36	\$1,254	60% (low)
	2	585	1,009	36	1,045	50% (very low)
2BR/1BA	32	889	1,362	48	1,410	60% (low)
	6	889	1,127	48	1,175	50% (very low)
3BR/2BA	5	1,260	1,508	58	1,566	60% (low)
	1	1,260	1,247	58	1,305	50% (very low)
	<b>57</b>					

**Manager Unit**

3BR/2BA	1	1,260	0
	<b>1</b>		

**Project Financing:** The costs of the project are estimated to total approximately \$29 million. The majority of the project costs are proposed to be financed through multi-family housing revenue bonds issued by CSCDA, with Low Income Housing Tax Credits as the other principal funding source. A summary of the estimated sources and uses of funds for the project is presented in the following table.

<b>Estimated Sources of Funds</b>		<b>Estimated Uses of Funds</b>	
Senior debt	\$12,099,000	Acquisition costs	\$20,940,000
Seller Carryback loan	8,500,000	Developer fee	3,151,000
Federal tax credits	6,052,528	Rehabilitation costs	2,770,200
Deferred developer fee	1,494,875	Interest expense	1,151,250
Cash Flow during renovation	1,213,373	Soft costs (3 <sup>rd</sup> party reports, legal, insurance, etc.)	526,741
		Financing costs	476,225
		Reserves	344,360
<b>Total Sources</b>	<b>\$29,359,776</b>	<b>Total Uses</b>	<b>\$29,359,776</b>

**TEFRA Hearing:** TEFRA mandates a public accountability procedure involving the legislative body of a local agency in which a proposed project (to be funded with tax-exempt bonds) is located. The TEFRA hearing is intended to provide members of the community an opportunity to speak on behalf of or against the proposed project. Notice of the public hearing must be published in a newspaper of general circulation at least 14 days prior to the date on which it is scheduled. To comply with federal tax laws, as well as with CSCDA policy, once the TEFRA hearing has been conducted, the City Council is asked to adopt a resolution approving the issuance of tax-exempt bonds for the project.

**FISCAL IMPACT:** None. 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 Glen Haven 2018, LP, an affiliate of KDF Communities, 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.

**ENVIRONMENTAL REVIEW:** Not applicable.

**ATTACHMENTS:**

- Draft Resolution- Approving Issuance of Multifamily Housing Revenue Bonds

**RECOMMENDATIONS:**

1. Hold a public hearing in accordance with TEFRA;
2. Adopt a Resolution Approving the Issuance of Multifamily Housing Revenue Bonds by the California Statewide Communities Development Authority for the purpose of financing an affordable housing project in the City of Fremont to be developed by KDF Communities.