



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

VACANT
First District

JOEL ANDERSON
Second District

TERRA LAWSON-REMER
Third District

MONICA MONTGOMERY STEPPE
Fourth District

JIM DESMOND
Fifth District

DATE: February 25, 2025

08

TO: Board of Supervisors

SUBJECT

NOTICED PUBLIC HEARING (TEFRA): ISSUANCE OF REVENUE BONDS BY THE CALIFORNIA PUBLIC FINANCE AUTHORITY FOR THE BENEFIT OF PROVIDENT RESOURCES GROUP INC., AND ITS SUBSIDIARIES, IN AN AGGREGATE AMOUNT NOT TO EXCEED \$120,000,000 AND RELATED APPROVALS (DISTRICT 4)

OVERVIEW

The County has received a request from the California Public Finance Authority (“CalPFA” or the “Authority”) to conduct a public hearing as required by the Internal Revenue Code and to approve the Authority’s issuance of one or more series of revenue bonds in an aggregate principal amount not to exceed \$120,000,000 (the “Bonds”) to be issued for the benefit of Provident Resources Group Inc. (the “Corporation”), and its subsidiaries including particularly a California limited liability company (the “Borrower”), to be formed by and whose sole member will be the Corporation. Net proceeds of the Bonds will be loaned to the Borrower to finance the acquisition, design, development, construction, ownership, furnishing, equipping, improvement and operation of a five-story residential rental project to consist of 182 units with 147 residential parking spaces at 6650 Montezuma Rd, San Diego, California 92115 (the “Project”).

The Authority is authorized to assist in financing for nonprofit public benefit organizations or for-profit corporations with a public benefit project wishing to issue revenue bonds, including the Borrower. In order to initiate such a financing, the Borrower is asking the County, a member jurisdiction in which the Project resides to: (1) conduct a public hearing to satisfy the public approval requirement of Section 147(f) of the Internal Revenue Code of 1986 (the “Code”); (2) approve the Authority’s issuance of the Bonds; (3) find that the Project satisfies a legitimate governmental burden and public purpose of the County including that the Project will lessen and accomplish the housing goals and mandates of the County by providing needed affordable housing to households and students within the County (the “Governmental Burden” as described below); and (4) deem the resolution as an approval for the Corporation and the Borrower to undertake the Project for the benefit of the County and its residents and to lessen such Governmental Burden. Although the Authority will be the issuer of the Bonds for the benefit of the Borrower, the financing cannot proceed without the approval of an applicable legislative body.

The current owner of the unimproved site of the Project, has requested in cooperation with the Corporation and the Borrower, that the Authority issue qualified 501(c)(3) bonds as defined in

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Section 145 of the Code, in one or more series, from time to time pursuant to a plan of finance, in an aggregate principal amount not to exceed \$120,000,000, the proceeds of which are to be loaned to the Borrower to finance the acquisition, design, development, construction, ownership, furnishing, equipping, improvement and operation of the Project.

Today's recommendations will provide the Authority with the required authorization to pursue its determination to issue the Bonds on behalf of the Borrower for the Project, and provide the Borrower with a factual basis on which to make certain federal tax representations with respect to the charitable purpose of the Project proceeding in a way that lessens a Governmental Burden by providing housing of this type for the benefit of the County and its residents.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

1. Pursuant to Section 147(f) of the Internal Revenue Code, hold a public hearing regarding the financing of the Project.
2. Adopt a Resolution entitled:
RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO APPROVING (A) THE ISSUANCE BY CALIFORNIA PUBLIC FINANCE AUTHORITY OF ITS BONDS FOR THE BENEFIT OF PROVIDENT RESOURCES GROUP INC., AND ITS SUBSIDIARIES, IN ONE OR MORE SERIES, FROM TIME TO TIME PURSUANT TO A PLAN OF FINANCE, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$120,000,000 TO FINANCE AND/OR REFINANCE THE ACQUISITION, RENOVATION, CONSTRUCTION, FURNISHING, EQUIPPING AND IMPROVEMENT OF THE OASIS HOUSING PROJECT AND (B) A LESSENING OF THE BURDENS OF GOVERNMENT BY PROVIDENT RESOURCES GROUP INC. AND ITS SUBSIDIARIES PROCEEDING WITH THE PROJECT FOR THE BENEFIT OF THE COUNTY AND ITS RESIDENTS

EQUITY IMPACT STATEMENT

This financing will help to increase the supply of housing, including rental housing for students enrolled in institutions of higher education within the County, in furtherance of State of California legal mandates and in furtherance of the intent of the County's Innovative Housing Trust Fund (Section 232.5 of Article XV of the San Diego County Code of Administrative Regulations) and related policies, to provide safe, affordable housing for the community.

SUSTAINABILITY IMPACT STATEMENT

The proposed action is expected to result in economic benefits for the community by furthering the County's goals to maximize resources, balance priorities, and further the Board's efforts to meet San Diego's housing needs in ways that align with our core values of integrity, belonging, excellence, access, sustainability, and equity. This financing will allow the Borrower to construct,

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operate and maintain additional housing for the benefit of the County and its residents, including rental housing for students enrolled in institutions of higher education within the County.

FISCAL IMPACT

If approved, the proposal will result in approximately \$991 of unanticipated revenue to be used to reimburse the County for staff costs associated with this non-County financing. There will be no change in net General Fund cost and no additional staff years.

The Borrower will be responsible for the payment of all present and future costs in connection with the issuance of the financing related to the Project. The County will incur no obligation of indebtedness as a result of today's actions.

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

The Debt Advisory Committee, composed of the Chief Financial Officer, Auditor and Controller, and the Treasurer-Tax Collector, concurs with this recommendation.

BACKGROUND

Issuer- California Public Finance Authority ("CalPFA")

CalPFA provides tax-exempt financing for qualified projects located throughout the State of California. The Authority's mission is to support economic development, job creation, and social programs throughout the State. By assisting nonprofit corporations with various tax-exempt financing programs, the Authority is able to support programs that improve the health and welfare of California residents. The Authority finances a broad range of facilities including nonprofit projects such as education, health care and cultural facilities, affordable multi-family and senior housing, manufacturing facilities and equipment, solid waste, water, wastewater treatment facilities and infrastructure projects and government sponsored financing.

Corporation - Provident Resources Group Inc.

Provident Resources Group Inc., is a Georgia nonprofit corporation and a nonprofit corporation described in Section 501(c)(3) of the Code. The Corporation was organized for the purpose of pursuing various charitable purposes within the meaning of Section 501(c)(3) of the Code, including without limitation, to lessen the burdens of government as one charitable purpose (the "Charitable Purpose") which may be accomplished through the development, construction, acquisition, ownership, management, maintenance, operation and disposition of essential housing and infrastructure of various types that enable state and local government to proficiently carry out its functions and responsibilities to its communities, and economic development.

Borrower

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In connection with the financing and operation of the Project, the Corporation will form a California limited liability company, as Borrower, whose sole member will be the Corporation. The Borrower is a wholly owned and disregarded entity of the Corporation for federal tax purposes, is organized exclusively to further such Charitable Purpose of the Corporation, which includes specifically among other purposes, the acquisition, development, ownership and operation of the Project.

Project

The Borrower wishes to use the proceeds to finance the acquisition, design, development, construction, ownership, furnishing, equipping, improvement and operation of a five-story residential rental project to consist of 182 units with 147 residential parking spaces located in the County at the following address: 6650 Montezuma Rd, San Diego, California 92115.

The Project is expected to include affordable housing and student housing subject to the following income limits by deed restriction.

- At least 15% of 55 apartment units to be Very Low Income Units (9 units) based on a 55 unit density bonus. Very Low Income is 50% of the \$119,500 2024 Area Median Income (AMI) for San Diego County.
- At least 10% of 182 apartment units to be Low Income Units (19 units). Low Income is 80% of the \$119,500 2024 AMI for San Diego County.
- Remaining units are considered transient units to be used as visitor accommodation units or “student housing” and are exempt until and unless they are converted to residential units at which time they are then subject to the required number of low income units. These transient units, if deemed student housing units, qualify as Low Income or affordable housing since most student incomes are within the AMI.

The bonds will be issued to finance the construction of the Project, and the Project and Project revenues will serve as the security for the bonds. The Project will be constructed on land leased from an unrelated landowner pursuant to a ground lease. The term of the ground lease is 50 years, and the Project owner will have two options to extend the term of the ground lease by ten years (for a total potential ground lease term of 70 years). At the end of the ground lease the Project transfers to the landowner. The Bonds are expected to have a 35-year term. Thus, the parties expect the remaining potential term of the ground lease at the time the bonds are retired to be at least 15 years and up to 35 years. The Borrower will commit to transferring all revenues and funds relating to the Project to the County to the extent such funds are not needed to pay debt service on the bonds or fund operating expenses of and reserves for the Project. Depending on the structure of the bonds, such excess funds may only arise after the bonds are retired, but once the bonds are retired the excess revenues should be substantial. If the Project is sold, all of the sale price, less the amount needed to pay liabilities, will be transferred to the County. Upon payment of the bonds, the County will direct the owner of the Project whether to (i) continue operating the Project and

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send excess revenues to the County, (ii) transfer the Project to the County, or (iii) sell the Project and transfer the funds to the County.

Charitable Purpose

The Corporation and the Borrower are able to apply for the issuance of the Bonds and proceed with the Project provided that certain federal tax representations can be made by the Borrower with respect to the Charitable Purpose of the Corporation and the Project proceeding in a way that lessens a Governmental Burden by providing housing of this type for the benefit of the County and its residents.

County Involvement

Under State of California legal mandates and in furtherance of the intent of the County's Innovative Housing Trust Fund (Section 232.5 of Article XV of the San Diego County Code of Administrative Regulations) and related policies, the County has established goals and a purpose (the Governmental Burden as described above) to foster the creation, rehabilitation, or improvement of affordable housing for persons with low incomes ("Housing") within all housing categories in the County, including housing for transitional age youth enrolled in institutions of higher education within the County.

Section 147(f) of the Code requires that an applicable elected body, with respect to the Project, hold a public hearing and approve the issuance and delivery of the Bonds. The Board of Supervisors of the County of San Diego, as an applicable elected body, is requested to (1) hold a public hearing at which all those interested in speaking with respect to the financing of the Project can be heard and (2) approve the issuance of Bonds.

Additional requirements of the Code for a federally tax-exempt issuance of Bonds require that the Borrower have a factual basis on which to make certain federal tax representations with respect to the Charitable Purpose of the Corporation proposing the Project, and the issuance of the Bonds, being completed in a way that (1) satisfies a legitimate governmental burden and public purpose of the County to lessen and accomplish the housing goals and mandates of the County by providing needed affordable housing to households and students within the County, and (2) that the Corporation and the Borrower are approved to undertake the Project for the benefit of the County and its residents to lessen its Governmental Burden.

The Borrower shall be responsible for the payment of all present and future costs in connection with the issuance of the Bonds. The County shall have no responsibility or liability whatsoever with respect to the Bonds or the Project.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed action supports the supports the Equity: Housing Strategic Initiative in the County of San Diego's 2025-2030 Strategic Plan by supporting and allowing the issuance of revenue bonds by CalPFA for the benefit of Provident Resources Group Inc., and its subsidiaries,

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to construct, operate and maintain additional housing for the benefit of the County and its residents, including rental housing for students enrolled in institutions of higher education within the County.

Further, today's proposed action is in furtherance of the intent of the County's Innovative Housing Trust Fund and related policies. The County has policies to foster the creation, rehabilitation, or improvement of affordable housing for persons with low incomes, including housing for transitional age youth enrolled in institutions of higher education within the County.

Respectfully submitted,



EBONY N. SHELTON
Chief Administrative Officer

ATTACHMENT(S)

1. RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO APPROVING (A) THE ISSUANCE BY CALIFORNIA PUBLIC FINANCE AUTHORITY OF ITS BONDS FOR THE BENEFIT OF PROVIDENT RESOURCES GROUP INC., AND ITS SUBSIDIARIES, IN ONE OR MORE SERIES, FROM TIME TO TIME PURSUANT TO A PLAN OF FINANCE, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$120,000,000 TO FINANCE AND/OR REFINANCE THE ACQUISITION, RENOVATION, CONSTRUCTION, FURNISHING, EQUIPPING AND IMPROVEMENT OF THE OASIS HOUSING PROJECT AND (B) A LESSENING OF THE BURDENS OF GOVERNMENT BY PROVIDENT RESOURCES GROUP INC. AND ITS SUBSIDIARIES PROCEEDING WITH THE PROJECT FOR THE BENEFIT OF THE COUNTY AND ITS RESIDENTS
2. NOTICE OF PUBLIC HEARING
3. PROJECT APPLICATION FOR BONDS