



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

NORA VARGAS
First District

JOEL ANDERSON
Second District

TERRA LAWSON-REMER
Third District

NATHAN FLETCHER
Fourth District

JIM DESMOND
Fifth District

DATE: March 15, 2022

20

TO: Board of Supervisors

SUBJECT

NOTICED PUBLIC HEARING: ISSUANCE OF MULTIFAMILY HOUSING REVENUE OBLIGATIONS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR THE BENEFIT OF CATHEDRAL PLAZA HOUSING PARTNERS, LP OR A RELATED PARTY IN AN AGGREGATE MAXIMUM AMOUNT NOT TO EXCEED \$50,000,000 (DISTRICT: 1)

OVERVIEW

The County has received a request from the California Municipal Finance Authority (“CMFA” or “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 multifamily housing revenue obligations in an aggregate principal amount not to exceed \$50,000,000 (the “Obligations”), for the benefit of Cathedral Plaza Housing Partners, LP (the “Borrower”) or a partnership of which the Rice and Haeling Development Group (the “Developer” and also known as “RAHD Group”) or a related person to the Developer is the general partner. The Borrower has applied for the financial assistance of the Authority. The proceeds of the Obligations will be used to finance the acquisition, rehabilitation, improvement and equipping of Cathedral Plaza Apartments, a multifamily rental housing project for low-income seniors located at 1551 Third Avenue, San Diego, California (“Project”) and pay certain expenses incurred in connection with the issuance of the Obligations.

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 Obligations, including the Borrower. In order to initiate such a financing, the Borrower is asking the County of San Diego, 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; and (2) approve the Authority’s issuance of the Obligations. Although the Authority will be the issuer of the Obligations for the Borrower, the financing cannot proceed without the approval of an applicable legislative body.

Today’s recommendations will provide the Authority with the required authorization to pursue its determination to issue the Obligations on behalf of the Borrower for the Project.

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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 THE ISSUANCE OF CALIFORNIA MUNICIPAL FINANCE AUTHORITY MULTIFAMILY HOUSING REVENUE OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50,000,000 FOR THE PURPOSE OF FINANCING OR REFINANCING THE ACQUISITION, REHABILITATION, IMPROVEMENT AND EQUIPPING OF CATHEDRAL PLAZA APARTMENTS

EQUITY IMPACT STATEMENT

California Municipal Finance Authority was established to assist in financing of nonprofit public benefit organizations or for-profit corporations with a public benefit project wishing to issue or reissue obligations. The Obligations will be used to the acquisition, rehabilitation, improvement and equipping of Cathedral Plaza Apartments, a multifamily rental housing project located at 1551 Third Avenue, San Diego, California and pay certain expenses incurred in connection with the issuance of the Obligations. The Obligations will assist the Borrower to continue to offer high quality senior living care to its residents and future residents.

FISCAL IMPACT

If approved, the proposal will result in approximately \$1,030 of unanticipated revenue to be used to reimburse the County for costs associated with this non-County financing.

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

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

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

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BACKGROUND

California Municipal Finance Authority (“CMFA”)

The California Municipal Finance Authority 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 of California. 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.

Rice and Haeling Development Group (the “Developer” also known as RAHD Group)

Established in 2010, the RAHD Group has built a reputation as an innovator in the affordable housing industry. With a diverse team of individuals who come from backgrounds such as banking, politics, construction, real estate brokerage and property management, RAHD has a fresh and creative outlook on low-income housing development and related issues.

Selling, refinancing or repositioning an asset can be difficult due to the sensitive nature of tenants’ needs, the U.S. Department of Housing and Urban Development (HUD) and other governmental regulations, financing and construction. However, the RAHD Group’s team of contractors, attorneys, bankers and investors ensures that they are able to structure successful transactions, rehabilitate apartment buildings and improve the lives of their tenants.

Project

The proceeds of the Obligations will be loaned to Cathedral Plaza Housing Partners, LP. A partnership between the Borrower and Developer will allow for the acquisition and rehabilitation of the Cathedral Plaza Apartments located at 1551 Third Avenue, San Diego, California 92101. The proceeds of the Bonds will be applied, together with other available funds, and used to acquire, rehabilitate, and provide for improvements of Cathedral Plaza Apartments, a multifamily rental housing project for low-income seniors consisting of approximately 222 units of affordable housing in the County and pay certain expenses incurred in connection with the issuance of the Obligations. The affordability component consists of 222 restricted apartments at 60% and below of the Area Median Income for Low-Income Housing.

The Qualified Residential Rental Project Program (“Program”) is a program administered by the California Debt Limit Allocation Committee (“CDLAC”) to help spur affordable housing production by assisting developers of multifamily rental housing units with the acquisition and construction of new units, or the purchase and rehabilitation of existing units.

State and local governmental agencies and other joint powers authorities, like CMFA, can issue tax-exempt housing revenue bonds through this Program. The tax-exempt bonds lower the interest

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rate paid by developers. The developers in turn produce market rate and affordable rental housing for low and very low-income households by reducing rental rates to individuals and families. Bond authority for rental projects is awarded according to the CDLAC Allocation System. The CDLAC Allocation System is a point-based system that determines which project is awarded funding.

On June 23, 2020 (11), the County received a request from Mercy Housing Calwest (“Mercy”) to conduct a public hearing and approve the Authority’s issuance of one or more series of Obligations in the amount of \$50,000,000 to finance the acquisition, rehabilitation, improvement and equipping of a multifamily rental housing facility for low-income seniors located at 1551 Third Avenue, San Diego, California also known as Cathedral Plaza Apartments. Mercy was the Sponsor selected to complete the renovation in 2020; however, Mercy was never able to secure the financing through CDLAC.

Due to the inability to secure financing, the Project was turned over to the current Borrower and Developer and the two were able to secure the financing needed through CDLAC to purchase Cathedral Plaza Apartments and complete the anticipated renovations.

County Involvement

Section 147(f) of the Internal Revenue Code requires that an applicable elected body, with respect to the Project, hold a public hearing and approve the issuance and delivery of the Revenue Obligations. 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 the Revenue Obligations. The Borrower shall be responsible for the payment of all present and future costs in connection with the issuance of the Revenue Obligations.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today’s proposed action supports the Equity Strategic Initiative in the County of San Diego’s 2022-2027 Strategic Plan by supporting and allowing the issuance of Obligations by CMFA for the Borrower to finance the cost to renovate certain senior low-income housing.

Respectfully submitted,



HELEN N. ROBBINS-MEYER
Chief Administrative Officer

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ATTACHMENT(S)

1. County Resolution
2. Notice of Public Hearing
3. CMFA Project Application for Bond