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DATE: January 10, 2023

TO: Honorable Mayor and City Councilmembers

FROM: Housing and Neighborhood Services Department

SUBJECT: **ISSUANCE OF TAX-EXEMPT BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY TO BENEFIT MIRKA SOUTH RIVER VILLAGE, LP, AN AFFORDABLE HOUSING DEVELOPER**

### **SYNOPSIS**

Staff recommends that the City Council adopt a resolution approving a plan of finance, including the issuance of revenue bonds by the California Municipal Finance Authority in an aggregate principal amount not to exceed \$20,000,000, to finance and refinance a qualified residential rental project for the benefit of Mirka South River Village, LP or another affiliate of the sponsor, and certain other matters relating thereto.

### **BACKGROUND**

The California Municipal Finance Authority ("CMFA"), a joint exercise of powers authority and public entity of the State of California, has received a request from Mirka South River Village, LP a California limited partnership to consider the issuance of tax exempt private activity bonds in an aggregate amount not to exceed \$20,000,000, (the "Bonds"), to finance the acquisition, construction, development and equipping of a 43-unit, 100% affordable rental housing development serving households earning between 30% to 80% of the Annual Median Income. The project site is located on an approximately 0.92-acre parcel situated at the northeast corner of the intersection of College Boulevard and North River Road, within the City of Oceanside. (the "Project"). The Project is being constructed in satisfaction of North River Farm's affordable housing obligation under Chapter 14C-Inclusionary Housing of the Oceanside City Code. The Project received its entitlement from the City in May 2023 and building permits are currently under review.

The City is requested to execute a resolution approving the issuance of the Bonds (a "TEFRA Approval") by the CMFA for the benefit of Mirka South River Village, LP a California limited partnership, or another ownership entity created by its managing general partner, Mirka Investments, LLC, a California limited liability company (such limited partnership or other entity being referred to herein as the "Borrower"), to provide for the financing of the Project, such approval being solely for the purposes of satisfying the requirements of the Internal Revenue Code and the California Government Code Section 6500 (and following). As noted later in this staff report, this action in no way indebts the City or affects its future bonding capacity.

## **ANALYSIS**

The Project Sponsor is requesting that the CMFA be the conduit bond issuer for tax-exempt private activity bonds for multi-family projects (“tax-exempt bonds”), in an aggregate amount not to exceed \$20 million, for new construction and operation of the Project. An application was submitted in May 2023 to the California Debt Limit Allocation Committee (CDLAC), the State bonding authority, and for the companion tax credits. Subsequently on August 23, 2023, the Project was awarded an allocation of tax-exempt bonds. The bond allocation and tax credit contributions will be used to substantially finance the Project.

In compliance with Section 147(f) of the Internal Revenue Service Code of 1986, reflecting the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), a public hearing (the “TEFRA hearing”) must be held to provide the public an opportunity to comment on the use of the tax-exempt funds to finance the Project. A duly noticed public hearing was held by the CMFA on December 22, 2023 and, at which time, no public comments were received.

Although the CMFA will issue the bonds, in order for all or a portion of the Bonds to qualify as tax-exempt bonds, Section 147(f) of the Code requires that the applicable elected representative of the governmental unit hosting the Project must provide its approval of the issuance of the Bonds for the financing of the Project following the close of the TEFRA hearing.

Once the City Council adopts the required resolution, no other participation of the City in the bond financing will be required.

- The debt issued that is financed by the bonds is not debt of the City. All repayment of debt is the strict obligation of the borrower.
- All monitoring and administrative actions related to this issuance are the responsibility of the CMFA.
- The City’s participation in the issuance of these State bonds will not impact the City’s appropriation limits and will not constitute any type of indebtedness by the City.

### **Project Financing**

The Borrower has secured all financing for the Project and is ready to proceed with construction. Total project costs are estimated at \$22 million. A large portion of the project financing includes \$10.7 million in tax-exempt bond financing. Although the Project can only issue and use the bond amount that has been allocated by the State, this TEFRA action will approve a bond amount not to exceed \$20 million. By approving an amount in excess of what the Project has been allocated, the Project is able to request supplemental bond allocation due to unforeseen increases in construction costs without the need for an additional TEFRA hearing and approval of issuance of bonds. The borrower has asked the CMFA to issue tax-exempt facility bonds for its qualified

residential rental project in accordance with Section 142(a)(7) of the Internal Revenue Code.

The CMFA was created on January 1, 2004, pursuant to a joint exercise of powers agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. To date, over 350 municipalities, including the City of Oceanside, have become members of the CMFA.

The CMFA was formed to assist local governments, non-profit organizations, and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

### **FISCAL IMPACT**

As noted above, the City will have no financial or legal responsibility for the Project or the repayment of the bonds for the financing of the Project. There is no fiscal impact to the City for the California Municipal Finance Authority to issue the bonds for the Project. The CMFA shares a portion of the issuance fees it receives with its member communities when it issues bonds. The City's minor administrative and staff costs to prepare the reports and related documents required by the borrower and the CMFA will be reimbursed to the City through the shared portion (25 percent) of the bond issuance fee at 18.75 basis points of the issuance.

### **INSURANCE REQUIREMENTS**

Does not apply.

### **COMMISSION OR COMMITTEE REPORT**

Not applicable.

### **ENVIRONMENTAL DETERMINATION**

Staff finds that the proposed project does not constitute a project as defined under the California Environmental Quality Act in accordance with Public Resources Code Section 21065, in that these actions may not cause a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, in accordance with the provisions of the CEQA Guidelines Section 15061(b)(3), the commonsense exemption, the proposed Project does not have the potential for causing a significant effect on the environment and is therefore exempt from CEQA.

**CITY ATTORNEY'S ANALYSIS**

The supporting documents have been reviewed and approved as to form by the City Attorney.

**RECOMMENDATION**

Staff recommends that the City Council adopt a resolution approving a plan of finance including the issuance of revenue bonds by the California Municipal Finance Authority in an aggregate principal amount not to exceed \$20,000,000 to finance and refinance a qualified residential rental project for the benefit of Mirka South River Village, LP or another affiliate of the sponsor, and certain other matters relating thereto.

PREPARED BY:



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Leilani Hines  
Housing and Neighborhood  
Services Director

SUBMITTED BY:



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Jonathan Borrego  
City Manager

ATTACHMENTS:

1. City Council Resolution
2. Location Map

## RESOLUTION NO.

1  
2 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
3 OCEANSIDE APPROVING A PLAN OF FINANCE INCLUDING  
4 THE ISSUANCE OF REVENUE BONDS BY THE CALIFORNIA  
5 MUNICIPAL FINANCE AUTHORITY IN AN AGGREGATE  
6 PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000 TO  
7 FINANCE AND REFINANCE A QUALIFIED RESIDENTIAL  
8 RENTAL PROJECT FOR THE BENEFIT OF MIRKA SOUTH  
9 RIVER VILLAGE, LP OR ANOTHER AFFILIATE OF THE  
10 SPONSOR, AND CERTAIN OTHER MATTERS RELATING  
11 THERETO

12 WHEREAS, MirKa Investments, LLC (the "Sponsor"), on behalf of Mirka South River  
13 Village, LP or another ownership entity to be created by the Sponsor an affiliate thereof (such  
14 limited partnership or other ownership entity, the "Borrower"), has requested that the California  
15 Municipal Finance Authority (the "Authority") undertake a plan of finance, including the  
16 issuance from time to time of one or more series of revenue bonds in an aggregate principal  
17 amount not to exceed \$20,000,000 (together with a like amount of refunding bonds) (the  
18 "Bonds") to finance and refinance the acquisition, construction, development and equipping of  
19 a 43-unit qualified residential rental project (the "Project") to be owned and operated by the  
20 Borrower and located on an approximately 0.92-acre parcel situated at the northeast corner of  
21 the intersection of College Boulevard and River Road, on the north side of College Boulevard  
22 and on the east side of River Road, within the City of Oceanside (the "City"); and

23 WHEREAS, an "applicable elected representative" of the jurisdiction in which the  
24 Project is to be located is required to approve the plan of finance for the Project, including the  
25 issuance of the Bonds, under Section 147(f) of the Internal Revenue Code (the "Code"); and

26 WHEREAS, the City Council of the City (the "City Council") is the elected legislative  
27 body of the City and is an "applicable elected representative" for purposes of Section 147(f) of  
28 the Code; and

29 WHEREAS, the Authority has requested that the City Council approve the plan of  
30 finance for the Project, including the issuance of the Bonds by the Authority, in order to satisfy  
31 the public approval requirement of Section 147(f) of the Code and the requirements of Section  
32 4 of the Joint Exercise of Powers Agreement Relating to the California Municipal Finance

1 Authority, dated as of January 1, 2004 (the "Agreement"), among certain local agencies,  
2 including the City; and

3 WHEREAS, pursuant to Section 147(f) of the Code, the California Municipal Finance  
4 Authority has, following notice duly given, held a public hearing on December 22, 2023  
5 regarding the issuance of the Bonds and, at which time, no public comments were received;  
6 and,

7 WHEREAS, the City Council, as the applicable elected representative of a governmental  
8 unit having jurisdiction over the area in which the Project is to be located for the purposes of  
9 (b) Section 147(f) of the Code, now desires to approve the plan of finance for the Project,  
10 including the issuance of the Bonds by the Authority.

11 THEREFORE, the City Council of the City of Oceanside does resolve as follows:

12 SECTION 1. The foregoing recitals are true and correct.

13 SECTION 2. The City Council hereby approves the plan of finance for the Project,  
14 including the issuance of the Bonds by the Authority. It is the purpose and intent of the City  
15 Council that this resolution constitute approval of the plan of finance for the Project, including  
16 the issuance of the Bonds by the Authority, for the purposes of (a) Section 147(f) of the Code  
17 by the applicable elected representative of a governmental unit having jurisdiction over the area  
18 in which the Project is to be located, in accordance with said Section 147(f) and (b) Section 4 of  
19 the Agreement.

20 SECTION 3. The officers of the City are hereby authorized and directed, jointly and  
21 severally, to do any and all things and to execute and deliver any and all documents which they  
22 deem necessary or advisable in order to carry out, give effect to and comply with the terms and  
23 intent of this resolution and the financing transaction approved hereby.

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1 SECTION 4. The Clerk shall forward a certified copy of this Resolution to the  
2 Authority in care of its counsel:

3 Ronald E. Lee, Esq.  
4 Jones Hall, APLC  
5 475 Sansome Street, Suite 1700  
6 San Francisco, CA 94111

7 SECTION 5. This resolution shall take effect immediately upon its adoption.

8 PASSED AND ADOPTED by the City Council of the City of Oceanside, California,  
9 this \_\_\_\_\_ day of January, 2024, by the following vote:

10  
11 AYES:

12 NAYS:

13 ABSENT:

14 ABSTAIN:

15  
16 MAYOR OF THE CITY OF OCEANSIDE

17  
18 ATTEST:

19 APPROVED AS TO FORM:

20 \_\_\_\_\_  
21 City Clerk

22   
23 City Attorney

### Location Map South River Farms

