



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Leslye Corsiglia  
Scott P. Johnson

**SUBJECT:** SEE BELOW

**DATE:** November 1, 2010

11/4/10

**COUNCIL DISTRICT:** 5  
**SNI AREA:** Mayfair

**SUBJECT: AUTHORIZING THE DIRECTOR OF FINANCE TO HOLD A PUBLIC HEARING REQUIRED BY THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT FOR A PROPOSED BOND ISSUANCE FOR THE McCREERY COURTYARDS PROJECT, A 93-UNIT AFFORDABLE HOUSING DEVELOPMENT LOCATED ON McCREERY AVENUE SOUTH OF ALUM ROCK AVENUE – ADDENDUM ITEM**

## REASON FOR ADDENDUM

As noted in the body of this report, the project is faced with a financing application deadline which must be met in order to keep the project and its promise of construction jobs moving forward without delay.

## RECOMMENDATION

Adopt a resolution:

- (a) Authorizing the Director of Finance to hold a Tax Equity and Fiscal Responsibility Act ("TEFRA") Hearing for the issuance of \$25,000,000 of New Issue Bond Program bonds by the California Statewide Communities Development Authority ("CSCDA") for the benefit of McCreery Courtyard Apartments Project located at 7173 McCreery Ave, San Jose, CA.
- (b) Authorizing the Mayor to approve the issuance of Tax-Exempt Revenue Bonds, by the CSCDA in an aggregate principal amount not to exceed \$25,000,000 to be used to finance the costs of construction of a 93 unit affordable housing project.

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## **OUTCOME**

The City Council's approval of the recommended action will enhance the prospects for completion of 92 units affordable to households with incomes at or below 50% Area Median Income.

## **BACKGROUND**

On September 30, 2008, the City Council approved a funding commitment of up to \$7,900,000 to PWC, or its designated affiliate, for the acquisition, construction and permanent financing of for the development of the 93-unit McCreery Courtyards, an affordable multifamily rental project ("Project") located on McCreery Avenue South of Alum Rock Avenue, to be made available to ELI and VLI households.

PWC proposes to develop a 93-unit family rental project. The five-story structure will have one level of parking below four stories of residential units. The project will offer 46 apartments that will be affordable to extremely low-income families, 46 units affordable to very low-income families, and one unrestricted managers' unit. The unit mix will include 55 two-bedroom units and 38 three-bedroom units (including a three-bedroom manager's unit). Amenities will include a community room/lounge with a common kitchen, computer lab, laundry facilities, an exercise room, TV room and a children's play structure. Each unit will be wired for internet access.

PWC requested that the California Statewide Communities Development Authority ("CSCDA") be the issuer of tax-exempt bonds, the primary source of outside funding for the project, and has applied for a tax-exempt bond allocation from the California Debt Limit Allocation Committee ("CDLAC"). Prior to the CDLAC allocation meeting on December 15, 2010, the law requires that the TEFRA hearing be conducted. A TEFRA hearing is required to give the public an opportunity to provide input on the potential bond issuance and can be held only after a 15-day public notice period. In order to meet this requirement, the Notice of Public Hearing has already been published and the TEFRA hearing has been scheduled for November 15, 2010 at 10:00 am.

## **ANALYSIS**

The City Council has adopted a Policy for the Issuance of Multifamily Housing Revenue Bonds, ("Policy") which prescribes the policy guidelines for the issuance of bonds for affordable housing projects. In general, the Policy requires that the City be the bond issuer if there is City financing (loans/grants) as part of the financing plan. The Policy makes an exception to this general rule in cases where issuance by an outside entity results in substantially better project financing. The Finance and Housing Departments agree that issuance of bonds by CSCDA will,

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in this case, result in lower bond costs and could reduce the amount of the City financing ultimately needed for the project.

Generally, the Department of Finance is authorized to hold TEFRA hearings on behalf of the City under the Delegation of Authority from the City Council. This authority is, however, limited to cases where the City is the issuer of the bonds. The recommendation before the Council is to delegate the authority to hold the TEFRA hearing for his project to the Director of Finance.

### **EVALUATION AND FOLLOW-UP**

The Housing Department posts quarterly reports on the status of its subsidized construction projects to its website, [www.sjhousing.org](http://www.sjhousing.org). If approved, updates on the McCreery project would be included in these reports.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although this memorandum's recommendation does not meet any of the above criteria, it will be posted to the City's website for the November 9, 2010 Council Agenda.

### **COORDINATION**

This report has been coordinated with the Office of the City Attorney.

### **FISCAL/POLICY ALIGNMENT**

This recommendation is consistent with the City's *2007-12 Five-Year Investment Plan* for increasing the supply of affordable housing, and with the City's *2010-15 Consolidated Plan* by providing units affordable to very low- and extremely low-income households.

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**CEQA**

Mitigated Negative Declaration, and addenda thereto, file number PDC04-088 (updates the previous CEQA reference of PDC02-082, Ordinance 27046 adopted January 13, 2004).

/s/

SCOTT P. JOHNSON

Director of Finance

/s/

LESLYE CORSIGLIA

Director of Housing

For questions, please contact Leslye Corsiglia, Director of Housing at 408-535-3851.