CITY COUNCIL AGENDA REPORT

DEPARTMENT: City Manager's Office | **MEETING DATE:** April 1, 2025

STAFF REFERENCE: Dylan Feik, City Manager | **AGENDA LOCATION:** PH-1

GOVERNMENT CODE SECTION 84308 APPLIES: Yes

TITLE: Public Hearing on Issuance of Tax-Exempt Bonds for Oak Park Apartments (Oak Park) and Approving the Issuance of Qualified Bonds by the California Statewide Communities Development Authority (CSCDA) for Oak Park Apartments Located at 125 West Olive Avenue and 150 West Colorado Boulevard; Resolution No. 2025-17

OBJECTIVE: To support the issuance of tax-exempt bonds by the California Statewide Communities Development Authority (CSCDA) to finance the acquisition, rehabilitation, improvement and equipping of a 156-unit multifamily rental housing project known as Oak Park Apartments

BACKGROUND: While the City remains committed to addressing the needs of low, moderate, and middle-income residents by negotiating for the inclusion of affordable housing with new development projects, it has become increasingly more difficult for cities to offer financial assistance or incentives for affordable housing, with State housing laws and restrictions often tying the hands of local governments. Currently, a common tool used to create more affordable housing is the State Density Bonus Law, which allows developers of residential units to receive a density bonus when a portion of the units are rented or sold as affordable units. However, this law, along with other state and federal funding sources, almost exclusively targets lower-income households, particularly those with incomes below 60% of Area Median Income (AMI).

The City is currently a Member of CSCDA. CSCDA is a joint powers authority founded and sponsored by the League of California Cities (League) and the California State Association of Counties (CSAC). CSCDA was created in 1988 to enable local government and eligible private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth and improve the overall quality of life in communities throughout California. CSCDA is comprised of more than 530 cities, counties, and special districts, including the City of Monrovia, which has been a member since 2000. CSCDA has issued more than $75 billion in financing through 1,700 plus transactions across its diverse public benefit financing programs, and is responsible for creating over 100,000 affordable housing units in California. CSCDA helps local governments build community infrastructure, provide affordable housing, create jobs, and make access available to quality healthcare.

In 2021, the City supported CSCDA's issuance of tax-exempt bonds for the production, preservation, and protection of essential middle-income rental housing at the 261-unit MODA at Monrovia Station apartments as the City's first housing development that would prioritize subsidized affordable workforce housing.

In collaboration with CSCDA, Foothill Affordable Housing Foundation (Foothill) approached the City to transition Oak Park Apartments, a 156-unit multifamily rental housing project, from a market rate property to a 100% affordable housing development, serving lower income populations through the recording of a regulatory agreement.

Report Prepared by:
Angela Cho, Assistant to the City Manager

ANALYSIS: Located at 125 West Olive Avenue and 150 West Colorado Boulevard, Oak Park Apartments is currently a 100% market rate rental property with a restrictive covenant required by the City that requires approximately one-third of the units to be rented to senior citizens, based on the definition in the Municipal Code, which is a resident 55 years of age and older. Foothill, a newly formed Los Angeles-based 501(c)(3) non-profit, and their partner, the Foundation for Affordable Housing (FFAH), would like to purchase Oak Park through a tax-exempt bond issuance, which would require the project to lease 20% of units to tenants that earn 50% of AMI or less and 80% of units to tenants that earn 80% of AMI or less, which means 100% of units at the property would have an affordability component.

To achieve this, the City was informed that Foothill has requested the CSCDA serve as the municipal issuer of tax-exempt multi-family housing revenue bonds in an aggregate principal amount not to exceed $65,000,000. The proceeds of the bonds will be used for the purpose of making a loan to Oak Park Apartments, LLC, to enable them to refinance the acquisition, rehabilitation, improvement, and equipping of a 156-unit affordable multifamily housing rental project.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City must conduct a public hearing (the "TEFRA Hearing") providing the members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project. Adoption of the resolution is solely for the purposes of satisfying the requirements of the Tax Equity and Fiscal Responsibility Act (TEFRA), the Internal Revenue Code, and the California Government Code Section 6500 (and following). Prior to such TEFRA Hearing, reasonable notice must be, and has been, provided to the members of the community. Following the close of the TEFRA Hearing, an "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. A notice of this Public Hearing was published on March 20, 2025. It bears emphasis that this hearing concerns only the financing mechanism for the purchase of an existing building in the City. The City is not being asked to approve any change in use, construction, or occupancy, nor does the City assume any liability for the repayment of outstanding bonds.

Foothill is currently utilizing a similar tax-exempt bond structure, where they partner with FFAH and Post Real Estate Group (Post), one of the nation's largest owner and operators of affordable housing, to convert a portfolio of two properties consisting of 576-units in South Carolina, a 352-unit property in Florida, a 179-unit property in Washington, and a portfolio of two properties consisting of 388-units in Texas.

FFAH was originally founded in 1988 and has since acquired or built 40,000 units of affordable housing, including 39 new acquisitions and nearly 4000 units in 2023 alone. It is currently in the ownership structure of over 270 properties across the United States spanning over 30,000 units. Over 200 of those properties are in the state of California. FFAH is partnering with Foothill on many of these acquisitions as they provide regulatory and compliance support and guidance.

Post has been a developer and owner of affordable housing since 2007 and has deep expertise in the Low-Income Housing Tax Credit Program (LIHTC) and workforce housing programs. Post currently owns and manages over 30,000 units in the country spanning over 122 affordable housing properties. Post has converted over 10,000 units from market to affordable with a variety of income/rent restrictions level ranging from 50% to 120% of AMI. Post has in-house or affiliated robust asset management, property management, construction management, and compliance/risk management services. Additionally, Post is a select sponsor and preferred borrower of Freddie Mac and Fannie Mae respectively resulting in the nonprofits' ability to borrow at an exponentially lower interest rate resulting in large interest savings which can then be delivered back into social services at the underlying community. Additionally, Post invests its own capital into the subordinate bond structure to ensure that the property is properly maintained throughout the nonprofit's ownership.

The City has been informed that the proposed Oak Park bonds, which are consistent with the previously mentioned projects, are all 40-year bonds with mandatory 10-year call options. Foothill is committed to long term ownership of projects to continue to preserve and maintain affordable housing.

If approved by the City Council, no existing tenants will be displaced or be required to leave the property, and no tenant will receive a non-renewal notice when their lease comes due simply because they make too much money to qualify at the AMI levels. The project will take the approach to simply only lease newly vacated units, that existing tenants naturally vacate, to new prospective tenants that meet the qualification requirements of the regulatory agreement. None of the existing seniors will be displaced and the developer will market available units to low-income senior residents in Monrovia and its surrounding communities. Foothill is in the process of exploring active senior social service programs which will enhance the appeal of the property to this community.

Also, existing tenants will receive immediate rental savings. Based on the proposed AMI restrictions set by the California Tax Credit Allocation Committee, total rent savings for tenants based on 2024 max rent levels and in-place rents would be just over $350,000 per year. Stabilized property tax savings, assuming a reassessment based on purchase price and a 90% exemption, would be just over $433,000 per year.

Unit Type	Unit Count	Sq. Ft.	In-Place Rent	50% AMI Max Rent	80% AMI Max Rent	20% @ 50% AMI Rental Savings (Annual)	80% @ 80% AMI Rental Saving (Annual)
1x1N	7	535	$2,243	$1,300	$2,080	$15,847	$2,743
1x1S	6	535	$2,119	$1,300	$2,080	$11,789	$557
1x1M_N	65	535	$2,172	$1,300	$2,080	$136,037	$14,357
1x1M_S	70	535	$2,101	$1,300	$2,080	$134,535	$3,495
1x1MR_N	2	535	$2,735	$1,300	$2,080	$6,888	$3,144
1x1MR_S	3	535	$2,643	$1,300	$2,080	$9,666	$4,050
1x1R_S	1	535	$2,300	$1,300	$2,080	$2,400	$528
2x1M_N	1	800	$2,364	$1,560	$2,496	$1,930	--
2x1M_S	1	800	$2,700	$1,560	$2,496	$2,736	$490
TOTAL/AVG	156	538	$2,163	$1,303	$2,085	$321,828	$29,047

Rent vs. Property Tax	Total	Notes
Total Tenant Rental Savings	$350,875	Based off in-place rents and current max rent levels
Property Tax Savings	$433,728	Assuming Reassessment at Purchase Price and a 90% Exemption

Capital Infusion	Total	Per Unit
Upfront Capital Expenditures	$1,801,800	$11,550
Expected Capital Expenditures (Years 1-10)	$1,872,000	$12,000
Total	$3,673,800	$23,550

In addition to the cost savings to Oak Park tenants, Foothill is currently proposing to capitalize over $11,500 per unit or over $1.8M upfront for necessary and aesthetic repairs and additions to the property, which include a full exterior repaint, repainting of interior hallways, landscaping additions, roofing repairs, balcony repairs, and more. Over the course of 10 years, they are also planning on spending an additional $12,000 per unit or $1.8M on ongoing exterior property maintenance and interior repairs and upgrades.

Per the regulatory agreement, Foothill is not requesting any funds from the City. Foothill will simply need the City to approve the TEFRA hearing for CSCDA to serve as the conduit issuer of the bonds. Foothill will get an agency credit enhanced loan significantly lowering the cost of capital; this lower cost of capital increases the properties debt-service-coverage ratio and allows it to handsomely make debt payments. Post, in the form of debt, will also be investing into the asset, which further reduces principal-agent risk and incentivizes Post to properly operate the asset.

With this conversion, the City will be adding a second housing development that creates and preserves affordable housing, the first in our Old Town area that not only continues to serve the senior citizens of Monrovia but also serves the lower income and workforce populations..

ENVIRONMENTAL IMPACT: There is no environmental impact related to this action.

FISCAL IMPACT: The fiscal impact to the City of Monrovia and Successor Agency to the former Redevelopment Agency (“SA”) will be approximately $433,728 annually in reduced property tax receipts.

Currently, the City's general fund receives less than $20,000 annually in property taxes. The SA collects approximately $360,000 annually. . Once the project is purchased and converts to a 100% affordable housing development, the property will be reassessed based on the recent purchase price. The owners will also apply for a property tax exemption of up to 90% of the new assessed valuation. This property tax savings is estimated to be $433,728 annually. It should also be noted that immediate rent savings for existing tenants are expected to be $350,875 annually.

As stated previously, 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 the Oak Park Apartments, LLC, 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.

OPTIONS: The following options are presented for consideration:

1) Adopt Resolution No. 2025-17, approving the issuance of Bonds by the California Statewide Communities Development Authority not to exceed $65,000,000, for the benefit of Oak Park Apartments, LLC, to finance the acquisition, rehabilitation, improvement and equipping of a 156-unit multifamily rental housing project generally known as Oak Park Apartments

2) Request additional information from staff before taking action.

RECOMMENDATION: Staff recommends option 1.

COUNCIL ACTION REQUIRED: If the City Council concurs, then following the public hearing, the appropriate action would be a motion to adopt Resolution No. 2025-17.

RESOLUTION NO. 2025-17

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MONROVIA, CALIFORNIA, APPROVING THE ISSUANCE BY THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY OF QUALIFIED 501(C)(3) BONDS FOR THE OAK PARK APARTMENTS

WHEREAS, the California Statewide Communities Development Authority (the "Authority") is authorized pursuant to the provisions of California Government Code Section 6500 et seq. and the terms of an Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988 (the "Agreement"), among certain local agencies throughout the State of California, including the City of Monrovia (the "City"), to issue revenue bonds in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code for the purpose of financing multifamily rental housing projects; and

WHEREAS, Foothill Oak Park Apartments, LLC (the "Borrower"), which is an organization described in Section 501(c)(3) of the Code, has requested that the Authority adopt a plan of financing providing for the issuance of qualified 501(c)(3) bonds as defined in Section 145 of the Internal Revenue Code of 1986 (the "Code") in one or more series issued from time to time, including bonds issued to refund such 501(c)(3) bonds in one or more series from time to time, and at no time to exceed $65,000,000 in outstanding aggregate principal amount (the "Bonds"), to finance or refinance the acquisition and rehabilitation of a multifamily rental housing project located at 125 West Olive Avenue, Monrovia, California (the "Project"); and

WHEREAS, pursuant to Section 147(f) of the Code, prior to their issuance, the Bonds are required to be approved by the "applicable elected representative" of the governmental units on whose behalf such bonds are expected to be issued and by a governmental unit having jurisdiction over the entire area in which any facility financed by such bonds is to be located, after a public hearing held following reasonable public notice; and

WHEREAS, the members of this City Council are the applicable elected representatives of the City; and

WHEREAS, there has been published, at least 7 days prior to the date hereof, in a newspaper of general circulation within the City, a notice that a public hearing regarding the Bonds would be held on a date specified in such notice; and

WHEREAS, such public hearing was conducted on such date, at which time an opportunity was provided to interested parties to present arguments both for and against the issuance of the Bonds; and

WHEREAS, the Authority is also requesting that the City Council approve the issuance of any refunding bonds hereafter issued by the Authority for the purpose of refinancing the Bonds which financed the Project (the "Refunding Bonds"), but only in such cases where federal tax laws would not require additional consideration or approval by the City Council; and

WHEREAS, it is intended that this resolution shall constitute the approval of the issuance of the Bonds required by Section 147(f) of the Code and Section 9 of the Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL, AS FOLLOWS:

Section 1. The foregoing recitals are true and correct.

Section 2. The City Council hereby approves the issuance of the Bonds and the Refunding Bonds by the Authority. It is the purpose and intent of the City Council that this resolution constitute approval of the Bonds for the purposes of (a) Section 147(f) of the Code and (b) Section 9 of the Agreement.

Section 3. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents that they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution and the financing approved hereby. The City Council hereby approves the issuance of Bonds by the Authority to finance Projects within the City from time to time.

Section 4. This resolution shall take effect immediately upon its passage.

PASSED, APPROVED, AND ADOPTED this 1st day of April, 2025.

Becky A. Shevlin, Mayor
City of Monrovia

ATTEST:

Alice D. Atkins, MMC, City Clerk
City of Monrovia

APPROVED AS TO FORM:

Craig A. Steele, City Attorney
City of Monrovia