



## Legislation Text

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**File #:** 08-1025, **Version:** 1

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Recommendation to receive supporting documentation into the record regarding the Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing;

Adopt resolution approving the reissuance of Multifamily Mortgage Revenue Bonds for Jamboree West Gateway Apartments in an amount not to exceed \$13,000,000; and

Authorize City Manager to execute all documents necessary to complete this transaction as indicated in the resolution. (District 1)

On November 16, 2004, the City Council authorized the issuance of Multifamily Housing Revenue Bonds (Bonds) in the amount of \$11,000,000 to finance the acquisition and construction of the Jamboree West Gateway Apartments (now called Puerto Del Sol Apartments), located at 3rd Street and Golden Avenue (Attachment A). Subsequent to the City Council action, Series 2004B bonds totaling \$11,000,000 were issued on December 13, 2004.

On July 12, 2005, the City Council authorized the issuance of additional Multifamily Housing Revenue Bonds in an amount not to exceed \$2,500,000 to provide additional financing for the acquisition and construction of the Jamboree West Gateway Apartments (Attachment B). Subsequent to the City Council action, Series 2005A bonds totaling \$2,000,000 were issued on November 22, 2005.

At the time the bonds were issued, construction was expected to be completed by January 2007. Construction was completed about a year later, primarily due to significant changes to the design, including plumbing and HVAC changes that occurred after construction began to mitigate escalating construction costs. Despite these challenges, construction was substantially complete in January 2008 and the Temporary Certificate of Occupancy was issued. Tenant move-in was scheduled for February 2008. However, mold was discovered in 15 of 64 units as a result of water intrusion, and those 15 units remained vacant while remediation was completed. The loan funded with the proceeds of the Bonds matured on May 1, 2008. On April 22, 2008, the City Council authorized reissuance of the Multifamily Housing Revenue Bonds to allow for more time to complete the project (Attachment C).

Because of the very sensitive nature of the mold and its effects, extreme care was taken to determine the cause and eliminate the existence of any spores. After the mitigation measures, additional testing was done to prove its efficacy. All units have tested clean and the project is now fully occupied. However, because this process took longer than expected, the construction loan maturity date must be extended again to allow for additional time to obtain the permanent financing and repay the construction loan.

As such, the Borrower, Jamboree West Gateway L.P., has requested that the City execute an agreement to modify the Bond documents to allow for additional time. The Bonds may need to be

reissued to extend the loan and ensure compliance with Internal Revenue Service (IRS) tax rules for tax-exempt bonds.

The IRS Code requires that the Borrower seek approval from the City Council for the reissuance of bonds benefiting facilities within the City. A Tax and Equity Fiscal Responsibility Act (TEFRA) public hearing notification was published in the Press Telegram on August 20, 2008 (Attachment D). The TEFRA hearing was held on September 16, 2008 at 9:00 a.m. The public hearing, required by Federal tax law regulations, will be conducted by the City Treasurer in the sixth floor conference room at City Hall. On October 7, 2008, the City Treasurer will report the results of the TEFRA hearing.

Before proceeding with the requested modifications to the Bond documents, it is necessary for the City Council to receive documentation of the TEFRA hearing, and adopt the attached Resolution authorizing such modifications and reissuance.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on September 15, 2008, and Budget Management Officer Victoria Bell on September 16, 2008.

City Council action is requested on October 7, 2008 to prevent default of the construction loan.

There is no fiscal impact related to the recommended action. The Borrower will repay the Bond debt with revenue from project rents.

Approve recommendation.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING THIRD LOAN MODIFICATION AGREEMENT RELATED TO MULTIFAMILY HOUSING REVENUE BONDS FOR JAMBOREE WEST GATEWAY APARTMENTS, AND APPROVING OTHER RELATED ACTIONS**

Dennis J. Thys  
Director, Department of Community Development

Lori Ann Farrell  
Director of Financial Management/CFO

NAME  
TITLE

APPROVED:

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PATRICK H. WEST  
CITY MANAGER