



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

R-29

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

October 18, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

- (1) Adopt the attached Resolution authorizing the City's intent to issue Tax-Exempt Multifamily Mortgage Revenue Bonds in an amount not to exceed \$6 million for additional financing for the Decro Scattered Site Housing Rehabilitation Project; and
- (2) Authorize the City Manager to execute all documents necessary to complete this transaction as indicated in the Resolution. (Districts 1, 6 & 9)

DISCUSSION

On March 23, 2004, the City Council adopted a Resolution authorizing the issuance, sale and delivery of Multifamily Mortgage Revenue Bonds for the Decro Scattered Site Rehabilitation Project in the amount of \$15,236,000. Subsequent to the City Council action, bonds were issued on April 8, 2004. A copy of the City Council letter is attached for your information as Attachment "A".

At the time the bonds were issued, the construction budget was based on extensive, non-destructive analysis (analysis which did not involve actual demolition of units to uncover hidden issues and conditions) of the 12 sites encompassing 320 apartments that make up this project. However, because of damage to the properties caused by last spring's heavy rains, increases in relocation costs, previously unknown property conditions, and additions to the project scope, both construction hard and soft costs have risen by \$8,000,000 and it is necessary to increase bond financing for the project by \$6,000,000. This issuance is necessary to maintain the tax-exempt status of the project, by satisfying the I.R.S. requirement that 50 percent of a tax-exempt project's cost be covered by tax-exempt bond funds. The other estimated \$2,000,000 of necessary funding is expected to come from federal HOME funds.

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To proceed with the additional bond issuance, it is necessary for the City Council to adopt the attached Resolution indicating the City's intent to issue Tax-Exempt Multifamily Mortgage Revenue Bonds for additional financing in an amount not to exceed \$6 million for the completion of the rehabilitation of the Decro Scattered Site Properties. This is only the preliminary approval for this bond issue, necessary for the purpose of applying to the California Debt Limit Allocation Committee (CDLAC) for authority to issue additional tax-exempt bonds. Once this authority is granted, this matter will come back before the City Council for final approval of documents.

Pursuant to current City policy and state law, on October 18, 2005, a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was conducted in the office of the City Treasurer regarding the potential issuance by the City of \$6 million in bonds to provide additional financing for the project.

This letter was reviewed by Deputy City Attorney Everett Glenn on October 5, 2005, and Budget Management Officer David Wodynski on October 7, 2005.

TIMING CONSIDERATIONS

Council action is requested at the October 18, 2005 meeting in order to meet the October 21, 2005 California Debt Limit Allocation Committee application deadline.

FISCAL IMPACT

There are no direct City costs, other than staff time, related to the bond issue. The developer will repay the bond debt with revenue from project rents. There will be a one-time payment by the developer to the City of \$32,500 to pay for the City's incidental costs related to issuing the bonds. This revenue will be split between the Department of Community Development and the Department of Financial Management, resulting in a one-time revenue increase in FY 06 of \$22,500 to the Community Development Grants Fund (SR 150), and \$10,000 to the General Fund (GP) for Treasury and accounting costs. The developer will be responsible for all other professional fees and costs related to the bond issue. Other routine annual costs related to the bonds such as Trustee fees will be paid directly by the developer.

SUGGESTED ACTION:

Approve recommendation.

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Respectfully submitted,



PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

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APPROVED:



GERALD R. MILLER
CITY MANAGER

Attachments:

Attachment A - March 23, 2004 City Council letter and Resolution authorizing the
Issuance of Tax-Exempt Multifamily Housing Revenue Bonds

Resolution