



CITY OF CARSON

Legislation Text

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Report to Mayor and City Council

Wednesday, November 04, 2020

Consent

SUBJECT:

CONSIDER RESOLUTION NO. 20-166 APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF A JOINT EXERCISE OF POWERS AGREEMENT RELATING TO AND TO BECOME A MEMBER OF THE CSCDA COMMUNITY IMPROVEMENT AUTHORITY, APPROVING THE FORM OF A PUBLIC BENEFIT AGREEMENT AND AUTHORIZING ITS EXECUTION, AND APPROVING THE ISSUANCE OF REVENUE BONDS BY THE AUTHORITY FOR THE PURPOSE OF FINANCING THE ACQUISITION, CONSTRUCTION OR IMPROVEMENT OF PROJECTS AND RELATED TRANSACTION COSTS (CITY COUNCIL)

I. SUMMARY

The City encourages and supports a full range of housing options affordable to different income levels. There is currently limited Federal, State or local subsidies or programs to produce or preserve the growing shortfall of below-market-rate rental housing for moderate - and middle-income households. To date, affordable housing programs in California have almost exclusively focused on providing housing for low income households, which are households that earn at or below 80% of area median income ("AMI"). State and federal funding sources are almost exclusively targeted to households at or below 60% of AMI. This has left a "missing middle," comprised of households that earn too much to qualify for traditional affordable housing programs but not enough to afford market rate housing.

In the past RHNA cycle, the City has met the RHNA goals for over-moderate or market rate housing but has not met the goals in the other categories. While the City and its Housing Authority have worked to facilitate traditional affordable housing as described above, there are few or no programs that target moderate- or just above moderate incomes: the missing middle.

This program uses the issuance of tax-exempt bonds to fund the acquisition and development of moderate- and middle-income housing in California. The sponsoring entity, the California Statewide Communities Development Authority ("CSCDA") is a statewide joint powers authority with over 500 governmental bodies in California as members, including the City of Carson. To satisfy the public purposes for which the bonds will be authorized to be issued, the owner, CSCDA, would commit, through a regulatory

agreement, to support, preserve, and provide low-, median-, and moderate-income rental housing.

II. RECOMMENDATION

1. ADOPT Resolution No, 20-166, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF A JOINT EXERCISE OF POWERS AGREEMENT RELATING TO AND TO BECOME A MEMBER OF THE CSCDA COMMUNITY IMPROVEMENT AUTHORITY, APPROVING THE FORM OF A PUBLIC BENEFIT AGREEMENT AND AUTHORIZING ITS EXECUTION, AND APPROVING THE ISSUANCE OF REVENUE BONDS BY THE AUTHORITY FOR THE PURPOSE OF FINANCING THE ACQUISITION, CONSTRUCTION OR IMPROVEMENT OF PROJECTS AND RELATED TRANSACTION COSTS"; and
2. AUTHORIZE the Mayor to execute the Resolution, the JPA Agreement, and all other related documents in a form approved by the City Attorney.
3. AUTHORIZE the City Manager or designee to enter into public benefits agreements with the Authority, which may result in the City receiving surplus revenue from the future sale of such middle-income rental housing within the City.

III. ALTERNATIVES

TAKE another action deemed appropriate by the City Council.

IV. BACKGROUND

Over the past several years Carson has been pursuing policies and programs to help alleviate the issues facing the Carson community due to the housing crisis. Over the past three years, the City Council has subsidized the development of 160 units of affordable rental housing, and approved numerous other market-rate residential developments.

Carson's progress towards meeting the current RHNA goals identifies the need to incentivize housing for very low-, low-, and moderate-income households, such as the 160 units mentioned above. Over the last Housing Element cycle, most cities did not meet their RHNA goals. To meet the RHNA goals, the City will have to approve a mix of 100% affordable housing properties and large mixed-income properties. Additionally, the City needs to explore new financing mechanisms that can be used to fund moderate income housing to incentivize housing for the missing middle sector, which has the lowest RHNA compliance rate due to the lack of financing mechanism for such a product. Even today, as reported in the 2019 Housing Element Progress Report on this agenda, there are still 722 units remaining to be developed to be in full compliance with the state housing element

law: 351 very low income units; 181 low income units; and 190 moderate income units. The acquisition of housing for moderate income housing would partially count toward this goal.

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 by the League and CSAC 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 local communities throughout California. CSCDA is comprised of more than 530 cities, counties and special districts, including the City of Carson, which has been a member since 1991. CSCDA has issued more than \$65 billion in bonds through 1,600 plus transactions across its diverse public benefit financing programs.

CSCDA helps local governments build community infrastructure, provide affordable housing, create jobs, and make access available to quality healthcare.

The CSCDA Community Improvement Authority ("Authority"), a joint powers authority and affiliate of CSCDA, was created to enable CSCDA to continue to broaden its program offerings by being able to acquire public benefit oriented capital projects through the issuance of tax-exempt governmental purpose bonds. Through the Authority's Workforce Housing Program, it issues government bonds to acquire market-rate apartment buildings. These properties are then converted to income- and rent-restricted units for moderate/middle income households, which are generally households earning 80% to 120% of AMI. Additionally, annual rent increases would be capped at no more than 4%, which is less than the rent limits under AB1482, the recently adopted State tenant protection legislation. No existing tenants would be displaced under the program.

If a property is acquired by the Authority, the City would execute a Public Benefit Agreement (Attachment 3). Under the Public Benefit Agreement, the City, at its sole discretion, may force a sale of the property between Year 15 and Year 30 (the end of the life) of the bonds, and the City, along with certain other taxing agencies (including the County and School District) would receive a portion of the net sale proceeds.

The Authority is a public entity separate and apart from its members, and any debts, liabilities, and obligations incurred by the Authority will not constitute debts, liabilities, or obligations of its member agencies. Bonds issued for any particular project will be indebtedness solely of the Authority, and payable only from revenues of the project. No financial expenditures, liabilities, or obligations are created by joining the Authority or executing any public benefit agreement.

Additionally, there are other JPAs in California that perform the same function, perhaps with a slightly different focus. Staff would bring them forward to Council and recommend membership in them as well, even in the near future.

V. FISCAL IMPACT

If a property is purchased by the Authority, the property may be exempt from paying property taxes, resulting in an initial loss of revenue to the City. The property tax loss would be a relatively insignificant reduction in revenue to the City and enables the financial feasibility of acquiring properties to create housing opportunities for middle-income residents that might not otherwise exist. Under the terms of the public benefit agreement, if a property generates surplus cash flow through the proceeds of the sale of a property, the City will receive a portion of the surplus revenue, which could well exceed any temporary loss of property tax revenue.

VI. EXHIBITS

1. Resolution No. 20-166 (pgs. 5-12)
2. Joint Exercise of Powers Agreement (pgs. 13-24)
3. Form of Public Benefits Agreement (pgs. 25-36)

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