



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**  
County Counsel



**DATE:** March 21, 2013  
**BOARD MEETING DATE:** April 23, 2013  
**SPECIAL NOTICE/HEARING:** 14 Day Notice  
**VOTE REQUIRED:** Majority

**TO:** Honorable Board of Supervisors

**FROM:** John C. Beiers, County Counsel

**SUBJECT:** Public Hearing and Resolution Approving California Municipal Finance Authority Revenue Bonds for the benefit of a Limited Partnership or Limited Liability Company yet to be formed by MidPen Housing Corporation or an Affiliated or Related Entity

**RECOMMENDATION:**

- A) Conduct a public hearing under the Tax Equity and Fiscal Responsibility Act regarding the issuance by the California Municipal Finance Authority of bonds in an amount not to exceed \$14,000,000 for the purpose of making a loan to a Limited Partnership or Limited Liability Company yet to be formed by MidPen Housing Corporation (the "Borrower"), to enable the Borrower to finance or refinance the costs of the acquisition, rehabilitation and improvement of a 23 unit multifamily housing development located at 1761 Woodland Avenue in the City of East Palo Alto, County of San Mateo, and a 26 unit multifamily housing development located at 44-48 Newell in the City of East Palo Alto, County of San Mateo, California; and
- B) Adopt a resolution approving the issuance by the California Municipal Finance Authority of revenue bonds for the benefit of the Borrower.

**BACKGROUND:**

The California Municipal Finance Authority (the "CMFA") was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. To date, over 175 municipalities, including the County of San Mateo (the "County"), have become members of CMFA. The Joint Exercise of Powers Agreement provides that the CMFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing such agreement.

**DISCUSSION:**

MidPen Housing Corporation, on behalf of a Limited Partnership or Limited Liability Company yet to be formed (the “Borrower”), has requested that the CMFA serve as the municipal issuer of bonds in an aggregate principal amount not to exceed \$14,000,000 (the “Bonds”). The Borrower will be formed by MidPen Housing Corporation, or by an entity affiliated with or related to MidPen Housing Corporation. The proceeds of the Bonds will be used to make a loan to the Borrower for the purpose of financing and/or refinancing the costs of the acquisition, rehabilitation and improvement of a 23 unit multifamily housing development located at 1761 Woodland Avenue in the City of East Palo Alto, County of San Mateo, and a 26 unit multifamily housing development located at 44-48 Newell in the City of East Palo Alto, County of San Mateo, California (the “Project”).

The Bonds will be “exempt facility bonds” under § 142 of the Internal Revenue Code and are issued under § 52075 et seq of the California Health and Safety Code. In order for all or a portion of the Bonds to qualify as tax-exempt obligations under federal law, the County, as the CMFA member within whose jurisdiction the project is sited, must conduct a public hearing (the “TEFRA Hearing”) to provide the members of the community an opportunity to speak in favor of or against the use of tax-exempt obligations for the financing of the Project. As required by law, a Notice of Public Hearing was published in San Mateo County on or before April 9, 2013, notifying all interested persons that a public hearing would be held on April 23, 2013 by the County for the purpose of approving the financing. As is the case here, TEFRA hearings are often held prior to the formation of the entity that will be borrowing the proceeds of the bonds. This has no impact on the ability of the County to approve the issuance of the Bonds.

The Bonds to be issued by the CMFA for the Project will be the sole responsibility of the Borrower, and the County will have no financial, legal, moral obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project. All financing documents with respect to the issuance of the Bonds will contain clear disclaimers that the Bonds are not Bonds of the County or the State of California, but are to be paid for solely from funds provided by the Borrower.

Participation by the County in the CMFA will not impact the County’s appropriations limits and will not constitute any type of indebtedness by the County. Outside of holding the TEFRA hearing and adopting the required resolution, no other participation or activity of the County or the Board of Supervisors with respect to the issuance of the Bonds will be required.

Approving and authorizing the issuance of the Bonds will contribute to the Shared Vision 2025 outcome of collaborative community by supporting fiscal accountability.

**FISCAL IMPACT:**

The County will receive 25% of the issuance fee from the CMFA, which is estimated to be approximately \$8,750 if the full amount of the Bonds is issued. These funds can be used at the County’s discretion. There will be no other fiscal impact to the County associated with any bonds that are issued.