



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY ATTORNEY

File #: 23-295

Board Meeting Date: 5/9/2023

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John D. Nibbelin, County Attorney

Subject: Public Hearing and Resolution Approving California Municipal Finance Authority Tax-Exempt Revenue Bonds for the benefit of Middlefield Junction Apartments

RECOMMENDATION:

Conduct a public hearing under the Tax Equity and Fiscal Responsibility Act regarding the issuance of tax-exempt bonds by the California Municipal Finance Authority:

- A) Open public hearing
- B) Close public hearing
- C) Adopt a resolution approving a plan of finance for the issuance of tax exempt revenue bonds in an aggregate principal amount not to exceed \$125,000,000, by the California Municipal Finance Authority for the benefit of Middlefield Junction LLC a California limited liability company, an affiliate of Mercy Housing California, a nonprofit corporation, on behalf of Mercy Housing California 96, L.P., a California limited partnership, or another ownership entity to finance and refinance the acquisition, construction, improvement and equipping of a 179-unit affordable rental housing facility for low-income households, to be located in the unincorporated community of North Fair Oaks in the County of San Mateo at 2700 Middlefield Road, Redwood City, California.

BACKGROUND:

The California Municipal Finance Authority (the "CMFA" or "Authority") 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 350 municipalities, including the County of San Mateo, 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:

Middlefield Junction LLC a California limited liability company (the “General Partner”), an affiliate of Mercy Housing California, a nonprofit corporation (the “Sponsor”), on behalf of Mercy Housing California 96, L.P., a California limited partnership, or another ownership entity (such limited partnership or other ownership entity being referred to herein as the “Borrower”) has requested that the CMFA adopt a plan of finance for the issuance from time to time of one or more series of tax-exempt revenue bonds in an aggregate principal amount not to exceed \$125,000,000 (the “Bonds”) to finance and refinance the acquisition, construction, improvement and equipping of a 179-unit affordable rental housing facility for low-income households, to be located in the unincorporated community of North Fair Oaks in the County of San Mateo (the “County”), at 2700 Middlefield Road, Redwood City, California (the “Project”).

In order for all or a portion of the Bonds to qualify as tax-exempt obligations, 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. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. A Notice of Public Hearing was published in San Mateo County on or before May 2, 2023, notifying all interested persons that a public hearing would be held on May 9, 2023 by the County for the purpose of approving the financing.

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 an obligation of the County or the State of California but is 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, 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.

FISCAL IMPACT:

The County will receive 25% of the issuance fee from the CMFA, which is estimated to be approximately \$29,000 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.