



City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 25-623

Agenda Date: 3/12/2025

Agenda #: 16.

DATE: March 12, 2025

TO: Honorable Mayor and City Councilmembers

FROM: Housing and Neighborhood Services Department

TITLE: APPROVAL OF THE ISSUANCE OF TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR THE BENEFIT OF 716 SEAGAZE AFFORDABLE, LP, AN AFFORDABLE HOUSING DEVELOPER

RECOMMENDATION

Staff recommends that the City Council adopt a resolution approving a plan of finance including the issuance of revenue bonds by the California Municipal Finance Authority, in an aggregate principal amount not to exceed \$65,000,000, to finance and refinance the acquisition, construction, development and equipping of a 179-unit qualified residential rental project to be located at 712 Seagaze Drive (the "Project") for the benefit of 716 Seagaze Affordable, L.P., a California Limited Partnership (or an affiliate), and certain other matters relating thereto.

BACKGROUND AND ANALYSIS

On March 13, 2024, the Community Development Commission, on a 5-0 vote, approved a 179-unit mixed use project at 712 Seagaze Drive. The project was originally entitled in January 2022 as a 115-unit mixed use project that included 64-hotel rooms on the upper floors. Subsequent to the project's 2024 approval, the applicant committed to developing the project as 100% affordable.

The California Municipal Finance Authority ("CMFA"), a joint exercise of powers authority and public entity of the State of California, has received a request from 716 Seagaze Affordable, LP, a California limited partnership, or another ownership entity created by its managing general partner, Eley Holdings, LLC, a Delaware limited liability company (such limited partnership or other entity being referred to herein as the "Borrower") to serve as the conduit bond issuer of tax exempt private activity bonds, in an aggregate amount not to exceed \$65,000,000, (together with a like amount of refunding bonds) (the "Bonds"). The proceeds of the Bonds will be used to finance and refinance (1) the costs of acquisition, construction, development and equipping of a 179-unit qualified residential rental project located at 712 Seagaze Drive within the City of Oceanside to be owned and operated by the Borrower; and (2) pay certain expenses in connection with the issuance of the Bonds.

An application was submitted in August 27, 2024 to the California Debt Limit Allocation Committee (CDLAC), the State bonding authority, and for the companion tax credits. Subsequently, on December 11, 2024, the Project was awarded an allocation of tax-exempt bonds and tax credits. The bond allocation and tax credit contributions will be used to substantially finance the Project, along

with an award of nearly \$48,726,000 in Affordable Housing & Sustainable Communities (AHSC) funds from the California Strategic Growth Council.

The City is requested to execute a resolution approving the issuance of the Bonds (a “TEFRA Approval”) by the CMFA for the benefit of Borrower, to provide for the financing of the Project, such approval being solely for the purposes of satisfying the requirements of the Code and the California Government Code Section 6500 (and following).

In compliance with Section 147(f) of the Internal Revenue Code of 1986, reflecting the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), a public hearing (the “TEFRA hearing”) must be held to provide the public an opportunity to comment on the use of the tax-exempt funds to finance the Project. Reasonable notice of the TEFRA Hearing to members of the community must be published by the agency conducting the hearing seven days prior to. Although the CMFA will issue the bonds, in order for all or a portion of the Bonds to qualify as tax-exempt bonds, Section 147(f) of the Code requires that the applicable elected representative of the governmental unit hosting the Project must provide its approval of the issuance of the Bonds for the financing of the Project following the close of the TEFRA hearing.

On Monday, March 3, 2025, a notice was published in the San Diego Union Tribune, a newspaper of general circulation in the City of Oceanside, informing the public that a public hearing would be held by the City Council on Wednesday, March 12, 2025 at 6:00 p.m. This public hearing allows for an opportunity for the public to provide comments regarding the issuance of the Bonds and the Project for which Bond funds will be allocated. Following the public comment period and hearing, the City Council will consider approving the issuance, sale, and delivery of the Bonds by the CMFA.

Once the City Council adopts the required resolution, no other participation of the City of Oceanside in the bond financing will be required. No financial assistance is requested from the City.

- The debt issued that is financed by the bonds is not debt of the City of Oceanside. All repayment of debt is the strict obligation of the borrower.
- All monitoring and administrative actions related to this issuance are the responsibility of the CMFA.
- The City’s participation in the issuance of these state bonds will not impact the City’s appropriation limits and will not constitute any type of indebtedness by the City.

Project Financing

The Borrower has secured all financing for the project and is ready to proceed with construction. Total project costs are estimated at \$96.5 million.

Although the project can only issue and use the bond amount that has been allocated by the state, this TEFRA action will approve a bond amount not to exceed \$465 million. By approving an amount in excess of what the project has been allocated, the Project is able to request supplemental bond allocation due to unforeseen increases in construction costs without the need for an additional TEFRA hearing and approval of issuance of bonds. The borrower has asked the CMFA to issue tax-exempt facility bonds for its qualified residential rental project in accordance with Section 142(a)(7) of

the Internal Revenue Code.

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 350 municipalities, including the City of Oceanside, have become members of the CMFA.

The CMFA was formed to assist local governments, non-profit organizations, and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

FISCAL IMPACT

The City will have no financial or legal liability or responsibility for the project or the repayment of the bonds for the financing of the project. There is no fiscal impact to the City of Oceanside for the California Municipal Finance Authority to issue the bonds for the Project. The CMFA shares a portion of the issuance fees it receives with its member communities when it issues bonds. The City's minor administrative and staff costs to prepare the reports and related documents required by the borrower and the CMFA will be reimbursed to the City through a small portion of the bond issuance fee.

COMMISSION OR COMMITTEE REPORT

On January 24, 2024, the Downtown Advisory Committee (DAC), by a vote of 5-2, recommended the Oceanside Community Development Commission (CDC) approve the Development Plan (RD23-00003) and Density Bonus (DB23-00006) for the Project. Subsequently, on March 13, 2024, the CDC adopted a resolution approving the Development Plan and the Density Bonus.

CITY ATTORNEY'S ANALYSIS

The supporting documents have been reviewed and approved as to form by the City Attorney.

Prepared by: Leilani Hines, Housing and Neighborhood Services Director
Submitted by: Jonathan Borrego, City Manager

ATTACHMENTS:

1. Staff Report
2. Resolution
3. Location Map
4. Unit Mix by Income Level