



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: March 30, 2020

Approved

Date

4/3/2020

COUNCIL DISTRICT: 10

SUBJECT: CONDUCT TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA) HEARING AND ADOPT RESOLUTION APPROVING THE ISSUANCE OF \$15,000,000 OF CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY REVENUE OBLIGATIONS FOR THE BENEFIT OF ALMADEN COUNTRY DAY SCHOOL

RECOMMENDATION

1. Hold a Tax Equity and Fiscal Responsibility Act ("TEFRA") Public Hearing for the issuance of up to \$15,000,000 in tax-exempt obligations ("the "Obligations") by the California Enterprise Development Authority (the "CEDA") for the purpose of financing, refinancing or reimbursing the costs of designing, developing, constructing, installing, improving, equipping and furnishing of certain capital improvements for the benefit of Almaden Country Day School, a California nonprofit public benefit corporation and an organization described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "School").
2. Consideration of a resolution approving the issuance of Obligations by the CEDA in a principal amount of up to \$15,000,000 to be used to finance, refinance or reimburse the cost associated with certain educational facilities and to pay certain expenses incurred in connection with the issuance of the Obligations.

OUTCOME

Holding the TEFRA hearing and adoption of the proposed resolution will authorize the CEDA to issue the Obligations to permit the financing and refinancing or reimbursing the School for the costs of designing, developing, constructing, installing, improving, equipping and furnishing of certain capital improvements located at 6835 Trinidad Drive, San Jose, California 95120.

BACKGROUND

The School has requested that the CEDA issue one or more series of its tax-exempt revenue obligations in an aggregate principal amount not to exceed \$15,000,000 for the purpose of (a) financing, refinancing or reimbursing the School for the costs of designing, developing, constructing, installing, improving, equipping and furnishing of (i) an approximately 15,000 square foot integrated gymnasium for indoor sports and a modern stage that will serve as an indoor gathering space for school events located at 6835 Trinidad Drive, San Jose, California 95120 (the “Property”), (ii) parking lot improvements and related enhancements at the Property, and (iii) additional improvements to the Property and supporting infrastructure to further the School’s educational mission (collectively, the “Facilities”) and (b) paying certain financing costs and costs of issuance in connection with such financing.

The School has provided the following information to City staff on its mission and curriculum.

The mission of the School is to discover the gifts in every child. The School provides a safe and affirming environment for learning, empowering children to strive, explore, and build a sense of personal value. Its teachers create a rich academic foundation that corresponds with the developmental stages of childhood. The School offers a wide variety of opportunities for children to extend their intellectual, social, and personal potential. Its students become delightful people — confident, kind, concerned, and ready to make significant contributions to the world.

The School recognizes that each child has unique capabilities and learning styles that guide their instructional practices. The School provides a wide variety of experiences to enable children to recognize, enhance and develop their innate talents, cultivate their curiosity, and build their confidence. The School creates a personalized learning environment that is warm and joyful, characterized by respect, courtesy, responsibility, cooperation, honesty, patriotism, good citizenship, and appreciation of diversity.

The School provides an arts and sciences curriculum with a strong commitment to well roundedness: enrichment and elective classes, field trips, experiential and hands-on learning, athletics, and character education. Academic expectations are high, and graduates are successful in the most selective and challenging area high schools.

ANALYSIS

The City is an associate member of the CEDA, a joint powers authority established by the California Association for Local Economic Development whose purpose is to issue tax-exempt and taxable conduit revenue bonds to fund commercial and industrial development projects within member jurisdictions.

The Joint Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California and Section 145 of the Internal Revenue Code of 1986, as amended (the “Code”) provide for the issuance of tax-exempt “private activity” obligations by a conduit governmental issuer on behalf of a 501(c)(3) corporation to finance facilities used, owned and/or operated by such entity. For interest on such private activity obligations to be tax-exempt, Section 147(f) of the Code requires, among other things, the obligations and the facilities financed thereby must be approved by both the governmental unit which will issue the obligations (in this case, the CEDA) and the governmental unit in which the obligation-financed facilities are located (City of San Jose). Further, a public hearing, for which reasonable notice has been given, must be held. This hearing and process is referred to as TEFRA, after the Tax Equity and Fiscal Responsibility Act of 1982.

The Facilities to be financed and refinanced with the proceeds of the Obligations are located within the jurisdiction of the City. Therefore, the City has been asked as a member of the CEDA to conduct the public hearing, and to approve the issuance of the Obligations as the host governmental unit. The CEDA has effectuated proper notice of the hearing via publication in the *Mercury News* at least 7 days in advance and has provided City staff with proof of publication. The Obligations will be payable solely from amounts received pursuant to the terms and provisions of the loan agreement to be executed by the CEDA and the School. The City will not be a party to the loan agreement or any other documents in connection with the issuance of the Obligations. The Obligations will not be secured by any form of taxation or by any obligation of either the City or the CEDA. The Obligations do not represent or constitute a general obligation of either the City or the CEDA.

The holding of the TEFRA hearing and the adoption of the resolution approving the CEDA’s issuance of the Obligations do not in any way constitute the City’s approval of any land use entitlements for the Facilities. The School is anxious to complete its financing for the new improvements as soon as possible in light of the current financial environment and hopes to commence construction of the improvements as soon as possible. The City’s approval will also help facilitate a refinancing of existing debt to reduce the School’s current debt service burden. The tax-exempt financing cannot proceed without the City’s approval.

CONCLUSION

Conducting the TEFRA Hearing will authorize the CEDA to issue the obligations to permit the financings and refinancing or reimbursing the school for the Facility.

EVALUATION AND FOLLOW-UP

This action will facilitate the issuance of tax-exempt revenue bonds by the CEDA and requires no follow up with the City Council.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

The TEFRA hearing to be held as part of the action items on the April 14, 2020 Council Agenda is a method of notifying the community of the CEDA's intent to issue tax-exempt private activity obligations for the Facilities. The public hearing notice is scheduled to be published in the *Mercury News* on or about March 31, 2020 announcing the time and location of the public hearing. This memorandum and the proposed resolution will be posted to the City's Council Agenda website for the April 14, 2020 Council Meeting.

COORDINATION

This memorandum has been prepared in coordination with the City Attorney's Office, and the Planning, Building and Code Enforcement Department.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST IMPLICATIONS

There is no fiscal impact to the City. The adoption of the resolution approving the financing of the Facilities and the issuance of the Obligations complies with the requirements of Section 147(f) of the Code. The City does not bear any responsibility for the tax-exempt status of the interest on the Obligations, the debt service on the Obligations or any other matter related to the Obligations.

CEQA

Statutorily Exempt, CEQA Guidelines Section 15262, Feasibility and Planning Studies.

/s/
JULIA H. COOPER
Director of Finance

For questions, please contact Joe Gray, Debt Administrator at 408-535-7032.