



2000 Main Street,
Huntington Beach, CA
92648

City of Huntington Beach

File #: 25-088

MEETING DATE: 2/18/2025

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Travis Hopkins, Acting City Manager

VIA: David Cain, Interim Chief Financial Officer

PREPARED BY: David Cain, Interim Chief Financial Officer

Subject:

Continued from February 4, 2025 with Public Hearing open - Continue a Tax Equity and Financial Responsibility Act public hearing and adopt Resolution No. 2025-05 approving, authorizing, and directing execution of a Joint Exercise of Powers Agreement relating to the California Public Finance Authority and approving the Issuance by the California Public Finance Authority of Revenue Bonds in an amount not to exceed \$325,000,000 for Marisol HB, LLC, with no City obligations, as well as a Payment in Lieu of Taxes Agreement

Statement of Issue:

The City Council is asked to continue a public hearing under the Tax Equity and Financial Responsibility Act (TEFRA) that commenced on February 4, 2025 and adopt a resolution approving the issuance of Revenue Bonds by the California Public Finance Authority (CalPFA) on behalf of Marisol HB, LLC (Applicant), the sole member of which is The Bluhm Family Foundation, an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (Code), in the aggregate principal amount not to exceed \$325,000,000, and approving the City becoming a member of CalPFA, a joint exercise of powers authority, solely for the purpose of facilitating the financing of the rental senior living community described below.

The Applicant is seeking to obtain financing for the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of a rental senior living community and related parking facilities to be located in Huntington Beach. The tax-exempt obligations will be issued by CalPFA. As a jurisdiction in which the facilities are located, the Council must hold a public hearing under the provisions of the Tax Equity and Financial Responsibility Act (TEFRA) within the Code to receive any public testimony regarding the project in order for the Revenue Bonds issued by CalPFA to be issued on a tax-exempt basis. The City Council commenced the required public hearing on February 4, 2025 and will continue the public hearing on February 18, 2025.

The City must also become a member of the CalPFA, a joint exercise of powers authority, so that the CalPFA can issue bonds to finance a project located within the City. Becoming a member of the

CalPFA does not subject the City to any liability or obligations. In accordance with Section 12 of the CalPFA Joint Exercise of Powers Agreement, in the event that Resolution 2025-05 is adopted by the City Council, such Resolution shall be filed with CalPFA together with a request that the City be added as an "Additional Member" of the Authority solely for purposes of facilitating the financing of the Project by the Authority.

Should the City authorize the issuance of bonds, the City would have no obligation or liability associated with this facility or with these bonds. There is no revenue sharing or expenditure obligation on behalf of the City, either directly or in its capacity as a member of CalPFA.

The facilitation of the public hearing under TEFRA requirements and the approval of the resolution authorizing the issuance of the tax exempt obligations by CalPFA, on behalf of the Applicant, best balances the Key Priority of Regional Leadership through Customer Satisfaction in that the City will enable one of its customers to obtain more favorable debt financing to be used for facility financing.

Financial Impact:

The City has no obligation or liability associated with this facility or this financing.

Recommended Action:

A) Continue a public hearing under the requirements of TEFRA and the Internal Revenue Code in consideration of the issuance of tax-exempt bonds by the California Public Finance Authority (CalPFA) for the benefit of Marisol HB, LLC for the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of a rental senior living community facility located generally at 2120 Main St., Huntington Beach, CA, 92648, to be known as The Marisol; and

B) Adopt Resolution No. 2025-05, "A Resolution of the City Council of the City of Huntington Beach Approving, Authorizing and Directing Execution of a Joint Exercise of Powers Agreement Relating to the California Public Finance Authority and Approving the Issuance by the California Public Finance Authority of Revenue Bonds in an Aggregate Principal Amount Not to Exceed \$325,000,000 to Benefit Marisol HB, LLC and Certain Other Matters Relating Thereto."

Alternative Action(s):

Do not approve the recommended action, and direct staff accordingly.

Analysis:

The City has received a request by the Applicant to hold a public hearing regarding a proposed issuance of Revenue Bonds (Bonds) for the purpose of, among other things, the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, and/or equipping of a rental senior living community facility located generally at 2120 Main St., Huntington Beach, CA, 92648, to be known as The Marisol. The City commenced the public hearing on February 4, 2025 and will continue the public hearing on February 18, 2025.

The City is also requested to authorize CalPFA to proceed with the issuance of the Bonds. CalPFA, a Joint Exercise of Powers Authority consisting of numerous California cities, counties, and special districts, is authorized to assist in the financing and refinancing of senior living facilities when it

receives the appropriate certified resolutions from each jurisdiction in which the facilities are located. To initiate such financing, the member participant of CalPFA in which the facilities are located must (1) conduct a public hearing and (2) approve CalPFA issuance of indebtedness. Therefore, although CalPFA will be the issuer of the tax exempt obligations for the Applicant, the financing cannot proceed without the City of Huntington Beach's approval and without the City becoming a member participant of the CalPFA. The City can limit the scope of its participation in the CalPFA to what is necessary or appropriate to facilitate the financing of the Marisol project located in Huntington Beach. In accordance with Section 12 of the CalPFA Joint Exercise of Powers Agreement, in the event that Resolution 2025-05 is adopted by the City Council, such Resolution shall be filed with CalPFA together with a request that the City be added as an "Additional Member" of the Authority solely for purposes of facilitating the financing of the Project by the Authority.

The Internal Revenue Code requires all local legislative bodies, (the City Council of the City of Huntington Beach is the legislative body (Council)), to hold the hearing in order for the bonds to be issued on a tax-exempt basis. The attached resolution, if approved by the Council, will provide authorization to the CalPFA to issue tax exempt obligations on behalf of the Applicant in an amount not to exceed \$325 million.

The first subject item calls for the Council to hold a "TEFRA" hearing. This acronym stands for the Tax Equity and Fiscal Responsibility Act of 1982. This Act requires the local legislative body of the local agency in which the project is located to notice and conduct a public hearing. The Council commenced this hearing on February 4, 2025 and called for any public testimony regarding the proposed project financing. No written testimony was received; however, one member of the public testified during the public hearing. The Council will continue the public hearing on February 18, 2025. Holding the public hearing and approving the issuance of the bonds by CalPFA does not obligate the City, either financially or otherwise, with respect to the repayment of the bonds or the completion of the Marisol project.

Staff also understands that the Applicant intends to apply for an exemption from property taxes under California Revenue & Taxation Code Section 214 and, if available, from other taxes. In the event that the Applicant is granted such exemptions in whole or part, the Applicant has agreed to make payments to the City in lieu of property and other taxes in an amount equal to the property and other tax revenues that the City would have received had such exemptions not been granted. In order to memorialize the Applicant's agreement as set forth in the previous sentence, the Applicant has offered to enter into a Payment in Lieu of Tax Agreement (PILOT) with the City. The PILOT has been reviewed by the City Attorney and Kutak Rock LLP, as special counsel to the City, and contains no City obligations.

Environmental Status:

Not applicable

Strategic Plan Goal:

Goal 1 - Economic Development, Strategy A - Develop an updated economic development strategy to ensure business retention, local investments and job growth.

Attachment(s):

1. Notice of Public Hearing
2. Resolution No. 2025-05, "A Resolution of the City Council of the City of Huntington Beach Approving, Authorizing and Directing Execution of a Joint Exercise of Powers Agreement Relating to the California Public Finance Authority and Approving the Issuance by the California Public Finance Authority of Revenue Bonds in an Aggregate Principal Amount Not to Exceed \$325,000,000 to Benefit Marisol HB, LLC and Certain Other Matters Relating Thereto"
3. Payment in Lieu of Tax Agreement (PILOT)
4. Joint Powers Agreement
5. Presentation