



# The Marisol HB, LLC

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February 4, 2025

- Marisol HB, LLC is seeking financing for a senior living community in Huntington Beach, known as “The Marisol.”
- A public City Council study session was held on this item on January 21, 2025.
- The financing will be through tax-exempt bonds issued by Cal Public Finance Authority (CalPFA), which requires City Council approval per the IRS Tax Code.
- The City must hold a public hearing under Tax Equity and Financial Responsibility Act (TEFRA) requirements, before the approval of the resolution authorizing the issuance of the tax-exempt obligations by CalPFA.
- The City must also become an ‘Additional Member’ of CalPFA for the bonds to be issued by the Authority, but this membership does not create any liability for the City. At some future date, after the bonds have been issued, the City may drop its “Additional Member” status with CalPFA.
- CalPFA, a joint authority of various California cities, helps finance senior living projects, but the City’s approval is required for the financing to proceed.

- The Internal Revenue Code requires all local legislative bodies (the City Council), to hold this hearing before the PFA can consider authorizing the issuance of such bonds.
- The proposed 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 \$325,000,000.
- If the City authorizes the bond issuance on behalf of the Applicant, the City will have no liability or obligation related to the facility or the bonds. The City has no revenue-sharing or expenditure obligations for the project.
- Holding the hearing and approving the resolution supports regional leadership by helping the Applicant secure favorable financing for the facility in the community.

- The Applicant plans to apply for property tax exemptions under California Revenue & Taxation Code Section 214, and potentially other taxes.
- If exemptions are granted, the Applicant has offered to make payments to the City in lieu of property and other taxes, equivalent to the amount the City would have received without the exemptions.
- The Applicant has offered to enter into a Payment in Lieu of Tax Agreement (PILOT) to formalize this arrangement.
- The PILOT agreement has been reviewed by the City Attorney and Kutak Rock, LLP, as special counsel to the City, and contains no City obligations.
- The CalJPA Joint Powers Agreement & PILOT Agreement must be approved by the City via resolution. This action will take place at the February 18, 2025, City Council meeting.

The adoption of the resolution does not obligate the City or any department thereof to:

- (a) provide any financing with respect to the Project,
- (b) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary with respect to the Project,
- (c) make any contribution or advance any funds whatsoever to the Authority or the Borrower or
- (d) take any further action with respect to the Authority or its membership therein.

The City also has a legal opinion letter from Orrick, Herrington & Sutcliffe related to CalPFA and the City's 'Additional Membership' status in the PFA.

“Pursuant to applicable state law, CalPFA policies, and the documents providing for the issuance of bonds by CalPFA, **the bonds are issued as limited obligations of CalPFA, not of any Charter Member or Additional Member**, and are payable solely out of the revenues and receipts derived from the Project being financed and the loan(s) made by CalPFA to the borrower from proceeds of the bonds.”

Specifically, Section 8 of the Agreement provides that “[t]he Bonds, **together with the interest and premium, if any, thereon, shall not be deemed to constitute a debt of any Member or pledge of the faith and credit of the Members...Neither the Members nor...shall be obligated to pay the principal of, premium, if any, or interest on the Bonds, or other costs incidental thereto...**” The Agreement also expressly provides that CalPFA is a public entity separate and apart from the Members, and “[i]ts debts, liabilities and obligations do not constitute debts, liabilities or obligations of any members.”

# Recommended Action

- Open and conduct a Public TEFRA Hearing – take public input.
- Continue the Public Hearing to a date certain – February 18, 2025.

# Questions?

