



City of Huntington Beach

File #: 25-801

MEETING DATE: 10/21/2025

REQUEST FOR CITY COUNCIL / HOUSING AUTHORITY ACTION

SUBMITTED TO: Honorable Mayor and City Council Members / Honorable Chair and Board Members

SUBMITTED BY: Travis Hopkins, City Manager

VIA: Jennifer Villasenor, Director of Community Development

PREPARED BY: Charles Kovac, Housing Manager

Subject:

Conduct a Tax and Equity Fiscal Responsibility Act (TEFRA) Public Hearing for the Pelican Harbor Apartments; Adopt Resolution No. 2025-65 Approving the Issuance of the California Municipal Finance Authority's (CMFA) Continued Issuance of Tax-exempt Bonds in an amount not to exceed \$20,000,000 for the Pelican Harbor Apartments; and Approve Amendments to Affordable Housing Agreements

Statement of Issue:

Jamboree Housing Corporation, the developer of Pelican Harbor Apartments, is requesting that the City Council hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing and adopt a resolution required under federal regulations to maintain the tax-exempt status of previously issued bonds that helped finance the construction of the 43-unit permanent supportive housing community for formerly homeless seniors located at 18431 Beach Boulevard.

This action is procedural. It does not authorize any new bonds or financing, nor does it create any financial obligation or liability for the City. Holding this hearing is a federal requirement necessary for the long-term conversion of a portion of the previously issued tax-exempt bonds from construction to permanent financing.

In exchange for hosting the TEFRA hearing, the City has secured stronger affordability protections and more favorable loan repayment terms.

Financial Impact:

This action does not create any new financial obligation for the City. In fact, the City will receive several long-term benefits negotiated with the developer:

- The original 60-year affordability term will be extended to 99 years.
- The developer will pay the City \$5,000 per year for 99 years, generating \$495,000 in funding for future housing or homelessness prevention activities.

- Interest rates on the City's HOME and Inclusionary Loans will increase from 3% to 5% beginning in year 20, resulting in approximately \$4.9 million in increased payments to the City over the extended life of the loans.

Recommended Action:

A) Conduct the TEFRA public hearing pursuant to federal law.

B) Adopt Resolution No. 2025-65, "A Resolution of the City Council of the City of Huntington Beach Approving the Issuance of the California Municipal Finance Authority Exempt Facility Bonds in an Aggregate Principal Amount Not to Exceed \$20,000,000 for the Purpose of Refinancing the Acquisition, Construction, Improvement and Equipping of Pelican Harbor (Formerly Referred to as Huntington Beach Senior Housing) and Certain Other Matters Relating Thereto" (Attachment 1).

C) Adopt First Amendment to Affordable Housing Agreement (Attachment 2).

D) Adopt First Amendment to Amended and Restated Agreement Containing Covenants (Attachment 3).

E) Adopt First Amendment to City HOME Promissory Note (Attachment 4).

F) Adopt First Amendment to City Inclusionary Housing Promissory Note (Attachment 5).

G) Authorize the City Manager and Housing Authority Executive Director, or their designees, to execute the above documents.

Alternative Action(s):

Do not approve the proposed TEFRA hearing or amendments. This would create financing uncertainty for the completed project and increase the risk of loan default or future foreclosure.

Analysis:***Background***

Pelican Harbor Apartments is a 43-unit permanent supportive housing development located at 18431 Beach Boulevard. Completed in December 2024 and fully occupied as of January 2025, the project serves one of the most vulnerable populations in Huntington Beach - formerly homeless seniors, many of whom face significant health and mobility challenges. The project includes on-site case management and supportive services funded through long-term contracts with the County of Orange.

The City contributed a total of \$3,127,036 in loan funds to support the project:

- \$2,830,697 from the federal HOME Investment Partnerships Program (HOME Loan), and
- \$296,339 from local Inclusionary Housing funds (Inclusionary Loan).

These residual receipts loans are subordinate to the senior debt and carry a 3% simple interest rate during the initial 20 years.

The project was developed by Jamboree Housing Corporation, a nonprofit affordable housing

developer, with additional funding from multiple federal and state sources including Orange County Mental Health Services Act funds, State of California No Place Like Home funds, and 4% Low-Income Housing Tax Credits. Tax-exempt bonds, issued by the California Municipal Finance Authority (CMFA), served primarily as the construction loan with a smaller portion retained for permanent financing.

The City did not issue the bonds, is not the borrower, and has no liability for repayment. The bonds are the sole responsibility of the developer and will be repaid through a combination of tax credit equity and rental income.

Purpose of the TEFRA Hearing

Under federal tax law, certain types of tax-exempt bond financing require a public hearing before the bonds can be issued. This requirement, established by the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982, ensures transparency and provides an opportunity for public input. A TEFRA hearing must be held by the governing body of the jurisdiction where the project is located (in this case, the Huntington Beach City Council) even if that agency is not issuing or backing the bonds.

The original TEFRA hearing for Pelican Harbor was held in December 2021 prior to construction financing; however, that approval expired after three years. To comply with IRS regulations and allow the previously issued bonds to transition from temporary (construction) to long-term (permanent) financing, a new TEFRA hearing must be held by the City Council.

This requirement does not reflect a new bond issuance, nor does it represent additional financing or cost to the City. It is a procedural step needed to maintain the tax-exempt status of the bonds already issued. If not completed, the bondholder could lose the ability to keep the bonds tax-exempt, which would create financing instability for the project and increase the risk of foreclosure.

Community Benefits

In exchange for hosting the TEFRA hearing, the City negotiated several enhancements to its existing loan agreements with Jamboree. These include:

- **Extending Affordability to 99 Years:** The project will remain affordable to extremely and very low-income seniors for nearly a century, ensuring long-term community benefit.
- **New Annual Payment Obligation:** Jamboree will make a \$5,000 annual payment to the City for the next 99 years, providing an additional \$495,000 in local revenue to support affordable housing and homelessness prevention programs.
- **Improved Loan Terms for the City:** Beginning in year 20, the interest rates on both City loans (the HOME loan and the Inclusionary Housing loan) will increase from 3% to 5%, boosting the future repayment amount owed to the City by nearly \$5 million.

These benefits were not required as part of the original financing and represent a favorable renegotiation for the City.

Importance of Council Action

The Pelican Harbor Apartments have already been constructed, are fully occupied, and are providing critical housing and supportive services to formerly homeless seniors. This TEFRA hearing does not authorize any new development, alter the project in any way, or affect current tenants. It is strictly a

procedural requirement to maintain the tax-exempt status of a portion of the project's financing.

Without Council approval of the TEFRA hearing, the developer cannot convert the existing construction bonds to permanent financing. This would create long-term financial instability for the project and increase the risk of default on the City's subordinate loans.

By approving this action, the City Council reinforces its commitment to fiscal responsibility, supporting solutions to reduce homelessness in the community, and protecting the City's investment - without taking on any new financial risk or obligation.

Environmental Status:

Pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15194, affordable housing projects meeting specific criteria listed in Section 15192 and 15194 of the CEQA Guidelines are exempt. The Project meets the criteria listed in the above-mentioned sections and is therefore exempt.

Strategic Plan Goal:

Non Applicable - Administrative Item

For details, visit www.huntingtonbeachca.gov/strategicplan.

Attachment(s):

1. Resolution No. 2025-65, "Resolution of the City Council of the City of Huntington Beach Approving the Issuance of the California Municipal Finance Authority Exempt Facility Bonds in an Aggregate Principal Amount not to exceed \$20,000,000 for the purpose of Refinancing the Acquisition, Construction, Improvement and Equipping of Pelican Harbor (formerly referred to as Huntington Beach Senior Housing) and Certain Other Matters Relating Thereto"
2. First Amendment to Affordable Housing Agreement
3. First Amendment to Amended and Restated Agreement Containing Covenants
4. First Amendment to City HOME Promissory Note
5. First Amendment to City Inclusionary Housing Promissory Note
6. PowerPoint Presentation