



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: March 6, 2018

TO: Mayor and City Council Members

FROM: Carolyn Lehr, City Manager
Michael Guina, City Attorney

SUBJECT: **Ordinance Of The City Council Of The City Of Emeryville Ordering The Submission Of A Proposition Incurring Bonded Debt For The Purpose Of Financing Affordable Housing Projects To The Qualified Voters Of The City Of Emeryville At The Special Municipal Election To Be Held On June 5, 2018**

RECOMMENDATION

Staff recommends the City Council adopt the second reading of the ordinance ordering the submission of a proposition incurring bonded debt for the purpose of financing affordable projects to the qualified voters of the City of Emeryville at the special municipal election to be held on June 5, 2018.

BACKGROUND

At the December 19, 2017 Special Study Session, the City Council directed staff to place a \$50 million housing bond and a \$10 million parks bond on the June 5, 2018 election. At the January 16, 2018 meeting, staff provided the City Council an update regarding the June 2018 election timeline and estimated costs associated with legal assistance, development of educational materials and conducting public outreach, financial analysis, and fees charged by Alameda County for printed materials and to administer the election.

At its February 6, 2018 meeting, the City Council directed that only a single bond measure, a housing bond, should be placed on the June 2018 ballot; the Council directed the parks bond should be placed on the November 2018 ballot. The housing bond would be for \$50 million, with a 25-year term. The Council also directed the ballot measure to seek Article XXXIV authority for 500 units. As for audit and oversight, the Council directed there should be citizen oversight provided by the Budget Advisory Committee.

At its February 20, 2018 meeting, the City Council adopted a resolution calling a special election on June 5, 2018 and ordering a bond measure for affordable housing to be submitted to the electors of the City. The City Council also adopted a companion resolution determining the public interest and necessity demand the development of affordable housing projects and the financing of such projects through the issuance of general obligation bonds. In addition the City Council adopted the first reading of the attached ordinance.

DISCUSSION

Bond Issuance Requirements

Resolution Determining Public Interest or Necessity

In order to proceed with the housing bond measure, Government Code section 43607 requires the City Council to first pass a resolution by a two-thirds vote determining that the public interest or necessity demands the acquisition, construction, or completion of a municipal improvement. The regional housing crisis has caused housing in Emeryville to become increasingly scarce and expensive, to the point that home ownership and the cost of rental units are out of reach for many low-, very-low and middle-income residents, including vulnerable populations such as the elderly, persons experiencing homelessness, and persons with disabilities. Meanwhile, the City Council has identified affordable housing as a policy objective.¹ The City's Housing Element also identifies affordable housing for extremely low-, very low- and low-income households, as well as for affordable housing for persons with special needs as a goal consistent with the City's General Plan.² Thus in order to meet the stated goals and objectives of providing affordable housing the City seeks to issue general obligation bonds pursuant to Government Code section 43600 et seq. to finance the cost of projects for development of affordable housing. In order to commence the proceedings to issue such bonds, the Council must first adopt the attached resolution by a two-thirds vote, finding the public interest or necessity demands the issuance of bonds to finance construction of affordable housing.

The City Council adopted this resolution by the required two-thirds vote (on a 5-0 vote) at its February 20, 2018 meeting.

Ordinance Ordering Submission of a Proposition Incurring Bonded Debt

As a prerequisite for bond issuance, the City Council must adopt an ordinance, by a two-thirds vote, ordering the submission of a proposition incurring bonded debt for the purpose of financing affordable housing projects to the qualified voters in the City (Government Code sections 43608, 43610). The ordinance must contain certain information, including the object and purpose of incurring the indebtedness; the cost of the indebtedness; the amount of the principal of the indebtedness; the rate of interest; and certain information related to the election. The City Council adopted the first reading of the ordinance satisfying these requirements on February 20, 2018. The second reading must be adopted by a two-thirds vote of the Council. Both the resolution discussed above and the ordinance must be submitted to the Alameda County Registrar of Voters by March 9, 2018 for inclusion in the June 5, 2018 election.

¹ City Council Priorities, Goals and Strategies, adopted April 18, 2017

² Housing Element Goals H-2, H-3, H-4, H-5 (November 2014).

Article XXXIV Authority

As discussed at the February 6, 2018 meeting, Article XXXIV of the state Constitution requires voter approval for the development of low income affordable housing projects. The last time the City sought Article XXXIV authority from voters was more than three decades ago, which authorized 100 affordable units. Of those 100 units, 87 units were used for the 3706 San Pablo Avenue project, leaving a balance of 13 affordable units available for future projects.

At the February 6, 2018 meeting, the Council directed the bond measure should also include voter approval of 500 additional units of Article XXXIV authority. This provision is included in the ordinance as part of the described object and purpose of the bonds.

FISCAL IMPACT

As described in the Tax Rate Statement (Exhibit A of the ordinance), for \$50,000,000 in bonds the estimated average levy is 4.912 cents per \$100 of assessed value (\$49.12 per \$100,000 of assessed valuation), generating approximately \$3,422,000 annually to pay back the bonds over 27 years.

The best estimate of the total debt service, including the principal and interest, that would be required to be repaid if all the bonds are issued and sold is \$92,389,550 (\$50,000,000 of principal and \$42,389,550 of interest). This estimate is based on assumptions regarding future interest rates and the term, timing, structure and amount of each series of bonds.

STAFF COMMUNICATION WITH THE PUBLIC

None.

CONCLUSION

Staff recommends the City Council consider this staff report, take public comment, and thereafter take the following actions:

1. Adopt by a two-thirds vote the second reading of the Ordinance Of The City Council Of The City Of Emeryville Ordering The Submission Of A Proposition Incurring Bonded Debt For The Purpose Of Financing Affordable Housing Projects To The Qualified Voters Of The City Of Emeryville At The Special Municipal Election To Be Held On June 5, 2018

PREPARED BY: Michael Guina, City Attorney
Sheri Hartz, City Clerk
Susan Hsieh, Finance Director

**APPROVED AND FORWARDED TO THE
CITY COUNCIL OF THE CITY OF EMERYVILLE:**



Carolyn Lehr, City Manager

ATTACHMENTS

1. Ordinance Of The City Council Of The City Of Emeryville Ordering The Submission Of A Proposition Incurring Bonded Debt For The Purpose Of Financing Affordable Housing Projects To The Qualified Voters Of The City Of Emeryville At The Special Municipal Election To Be Held On June 5, 2018