



CITY COUNCIL AGENDA STATEMENT



February 2, 2021

File ID: 20-0546

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING THE ISSUANCE BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY OF ITS CHARTER SCHOOL REVENUE BONDS (THE LEARNING CHOICE ACADEMY) SERIES 2021 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$12,000,000 FOR THE PURPOSE OF FINANCING AND/OR REFINANCING THE ACQUISITION, IMPROVEMENT, RENOVATION, CONSTRUCTION, FURNISHING AND EQUIPPING OF CERTAIN PUBLIC CHARTER SCHOOL FACILITIES AND CERTAIN OTHER MATTERS RELATING THERETO

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

The City of Chula Vista (the "City") has received a request for the approval of issuance by the California Municipal Finance Authority (the "CMFA") of \$12,000,000 in its revenue bonds for the purpose of acquisition, improvement, renovation, construction, furnishing and equipping of a public charter school serving kindergarten through grade 12 located at or adjacent to 881 Kuhn Drive, Chula Vista, California to be operated by The Learning Choice Academy (the "Project").

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change to the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

The Learning Choice Academy Facilities LLC (the "Borrower"), a California limited liability company, the sole managing member of which is The Learning Choice Academy, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), will be acquiring and developing property located at 881 Kuhn Drive within the Eastlake Business

Center as a public charter school serving kindergarten through grade 12. The Learning Choice Academy has requested that the CMFA be the conduit bond issuer for one or more series of tax-exempt private activity bonds in an aggregate principal amount not to exceed \$12,000,000 (the “Bonds”) for the purpose of financing and/or refinancing the acquisition, improvement, renovation, construction, furnishing and equipping of the Project to be owned by the Borrower, and operated by The Learning Choice Academy.

California Municipal Finance Authority

The CMFA will serve as the issuer of the Bonds. The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. To date, over 320 municipalities, including the City, have become members of CMFA.

The CMFA was formed to assist local governments, non-profit organizations and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA’s representatives and its Board of Directors have considerable experience in bond financings.

TEFRA

In compliance with Section 147(f) of the Internal Revenue Service Code of 1986, reflecting the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), in order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City, as the “applicable elected representative” of the governmental unit hosting the Project must conduct a public hearing (the “TEFRA Hearing”) providing for the members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA Hearing, the City must also provide its approval of the issuance of the Bonds for the financing of the Project by the CFMA.

On Monday, December 21, 2020, a notice was published on the City’s primary public website in an area used to inform residents about such events such as public meetings located at <https://www.chulavistaca.gov/departments/mayor-council/council-meeting-agenda> and <https://www.chulavistaca.gov/departments/development-services/planning/public-notices/public-notices> informing the public that a public hearing would be held by the City’s Hearing Officer. The City Manager, as the City’s Hearing Officer appointed by City Council Resolution No. 2020-248, held the TEFRA (public hearing) on Tuesday December 29, 2020 at 4:00 p.m. at the City Council Chambers of the City of Chula Vista, California to allow public comments in the issuance of the notes and the Project for which bond funds will be allocated (Attachment 2: Notice of Public Hearing). No comments were received at this public hearing. At this time, the City Council is asked to consider whether the CMFA should issue tax exempt private activity bonds to finance the Project and to approve the issuance, sale, and delivery of the Bonds by the CMFA.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(7) or (8), for purposes of the Political Reform Act (Cal. Gov't Code §87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council members, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

Bond Financing is a self-supporting program with the Borrower solely responsible for the payment of all costs of issuance and other costs of the bonds. The City will have no financial, legal, moral obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project. All financing documents with respect to the issuance of the Bonds will contain clear disclaimers that the Bonds are not obligations of the City or the State of California but are to be paid for solely from funds provided by the Borrower.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the "Foundation"), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City of Chula Vista, it is expected that that a portion of the issuance fee attributable to the City will be granted by the CMFA to the general fund of the City. Such grant may be used for any lawful purpose of the City.

Borrower is responsible for payment to the City of a \$3,500 fee for costs of the TEFRA hearing and related actions.

ONGOING FISCAL IMPACT

There will be no further fiscal impact as this is a one-time action, with the CMFA responsible for all ongoing activities associated with monitoring compliance of the regulatory restrictions and administration of the outstanding Bonds.

ATTACHMENTS

1. Locator Map
2. Notice of Public Hearing

Staff Contact: Leilani Hines, Housing Manager Chula Vista Housing Authority