

Meeting Date: 11/13/2014

Report Type: Public Hearing

Report ID: 2014-00777

Title: Tax Equity Fiscal Responsibility Act Hearing for Issuance of Revenue Bonds by the California Municipal Finance Authority to Benefit the Powerhouse Science Center (Noticed on 10-24-14)

Location: 400 Jibboom Street, District 4

Issue: This report and public hearing will fulfill the requirement that prior to the issuance of bonds for the Powerhouse Science Center (PHSC) project a TEFRA hearing be held following reasonable public notice. Approval of the bonds does not create a City debt obligation and repayments will be paid entirely from the PHSC under a loan agreement.

Recommendation: Conduct a public hearing and upon conclusion pass a Resolution approving the issuance of revenue bonds by the California Municipal Finance Authority ("CMFA") to benefit the Powerhouse Science Center.

Contact: Rachel Hazlewood, Senior Project Manager, (916) 808-8645, Economic Development Department

Presenter: Rachel Hazlewood, Senior Project Manager, (916) 808-8645, Economic Development Department

Department: Economic Development Dept

Division: Citywide Development

Dept ID: 18001031

Attachments:

1-Description/Analysis

2-Resolution

City Attorney Review

Approved as to Form
Michael Sparks
10/10/2014 11:13:36 AM

City Treasurer Review

Prior Council Financial Policy Approval or
Outside City Treasurer Scope
City Treasurer

Approvals/Acknowledgements

Department Director or Designee: John Dangberg - 10/6/2014 11:06:37 AM

Description/Analysis

Issue Detail: The Powerhouse Science Center (PHSC), also known as the Discovery Museum, is seeking bond financing through the California Municipal Financing Authority (CMFA) to finance the construction of a new science center (Project) at 400 Jibboom Street in the City of Sacramento. The Project will be constructed on the City-owned historic Pacific Gas & Electric (PG&E) Power Station B property, which is leased to the PHSC for 55 years. The tax-exempt debt issuance need for the Project is estimated to be up to \$29,000,000. The CMFA will be issuing these bonds, and the City will have no financial obligation. In compliance with federal law, representatives of the CMFA have requested that the City hold a public hearing as required by section 147(f) of the Internal Revenue Code of 1986. Section 147(f) requires that the proposed financing be approved by a governmental unit having jurisdiction over the area in which the facility to be financed is located. The CMFA asks that the City approve up to \$29,000,000 in debt-issuance for the Project.

Policy Considerations: The CMFA represents that it is legally authorized and empowered to undertake this financing.

Economic Impacts: This action by and of itself will not create an economic impact. However, the construction project (Phase 1 and Phase 2) is estimated at \$89 million, which is projected to create 418 direct jobs and 240 indirect jobs. Additionally, over \$55 million in direct output and over \$31 million in indirect or induced activities will be generated by the construction project. The indicated economic impacts estimates are calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

Environmental Considerations: The project is subject to review under the California Environmental Quality Act (CEQA). On June 1, 2010, City Council adopted the Mitigated Negative Declaration and Mitigation Monitoring Plan for the Robert T. Matsui Waterfront Park Master Plan Amendment, which included development of the PHSC Project (Resolution 2010-296). The action implements the project as considered in the Mitigated Negative Declaration and no additional environmental review is required.

Sustainability: The reuse of a brownfield site will meet the sustainability goal of reusing underutilized properties. Additionally, the PHSC is seeking, at a minimum, silver designation for LEED (Leadership in Energy and Environmental Design) certification.

Commission/Committee Action: None.

Rationale for Recommendation: Under section 147(f), CMFA may not issue these tax-exempt obligations unless the City approves the issuance after holding a public hearing for which reasonable public notice is given. Accordingly, it is requested that the City Council hold the required public hearing regarding the issuance of these bonds and approve the issuance of the bonds by the CMFA. Furthermore, advancing the PHSC project by approving this issuance will further a City priority project.

Financial Considerations: None. The bonds will be paid entirely from repayments by PHSC under a loan and security agreement with the CMFA. Neither the full faith and credit nor the taxing power, if any, of the City, the CMFA and its members, the state, or any other political corporation, subdivision, or agency of the state is pledged to the payment of the principal of, any premium for, or interest on

the bonds. Nor will the City, the CMFA and its members, the state, or any other political corporation, subdivision, or agency of the state be liable or obligated to pay the principal of, premium for, or interest on the bonds.

Local Business Enterprise (LBE): None.

RESOLUTION NO. 2014-XXXX

Adopted by the Sacramento City Council
November 13, 2014

APPROVING THE ISSUANCE OF REVENUE BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR THE PURPOSE OF FINANCING OR REFINANCING THE RENOVATION AND CONSTRUCTION OF THE POWERHOUSE SCIENCE CENTER, AND CERTAIN OTHER RELATED MATTERS

BACKGROUND:

- A. The California Municipal Finance Authority (the “**Authority**”) is authorized to issue and sell revenue bonds for the purpose, among others, of financing or refinancing the construction of capital projects. It was created by a Joint Exercise of Powers Agreement dated as of January 1, 2004 (the “**Agreement**”).
- B. Powerhouse Science Center, a nonprofit public-benefit corporation organized under California law (the “**Borrower**”), has requested that the Authority issue and sell revenue bonds in the maximum principal amount of up to \$29,000,000 (the “**Bonds**”) for the purpose of making a loan to the Borrower that will enable the Borrower (1) to finance or refinance the costs of renovation and construction of a science center located at 400 Jibboom Street, Sacramento, California (the “**Project**”); and (2) to pay certain expenses incurred in connection with issuance of the Bonds.
- C. For the interest on the Bonds to be tax-exempt, section 147(f) of the Internal Revenue Code of 1986, as amended (“**Section 147(f)**”), requires that “the applicable elected representative” of a “governmental unit having jurisdiction over the area in which” the facilities to be financed with the proceeds of the Bonds is located hold a public hearing on the issuance of the Bonds and approve the issuance of the Bonds following the hearing.
- D. The Authority has determined that the City Council is “the applicable elected representative” for purposes of holding the required hearing.
- E. The Authority has requested that the City Council approve the issuance of the Bonds by the Authority in order to satisfy the public-approval requirement of Section 147(f) and the requirements of Section 4 of the Agreement.
- F. Notice of the public hearing has been duly given as required by the Section 147(f), and the City Council held the public hearing as noticed, giving all interested persons an opportunity to be heard on all matters relative to the financing of the Project and the Authority’s issuance of the Bonds.
- G. It is in the public interest and for the public benefit that the City Council approve the issuance of the Bonds by the Authority for the purpose described.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The statements of fact in paragraphs A through G of the Background are true.

Section 2. The City Council hereby approves the issuance of the Bonds by the Authority. The City Council intends that this resolution constitute approval of the issuance of the Bonds (a) by the “applicable elected representative” of a governmental unit having jurisdiction over the area in which the Project is located, in accordance with Section 147(f); and (b) by the City Council in accordance with Section 4 of the Agreement.

Section 3. The issuance of the Bonds will be subject to the approval of the Authority of all related financing documents to which the Authority is a party. The City will have no responsibility or liability whatsoever with respect to the Bonds, and the City Council’s approval of the Authority’s issuance and sale of the Bonds is neither an approval of the underlying credit issues of the Project nor an approval of the financial structure of the Bonds.

Section 4. The adoption of this resolution does not obligate the City or any City department (a) to provide any financing for acquiring or constructing the Project or any refinancing of the Project; (b) to approve any application or request for, or take any other action in connection with, any planning approval, permit, or other action necessary for the acquisition, rehabilitation, or operation of the Project; (c) to make any contribution or advance any funds whatsoever to the Authority; or (d) to take any further action with respect to the Authority or the City’s membership in the Authority.

Section 5. The executing officers, the City Clerk, and all other proper officers and officials of the City are hereby authorized and directed to execute any other agreements, documents, and certificates, and to perform any other acts, as may be necessary or convenient to effect the purposes of this resolution and the transactions it authorizes.

Section 6. The City Clerk shall forward a certified copy of this resolution to the Authority in care of its counsel:

Ronald E. Lee, Esq.
Jones Hall
650 California Street, 18th Floor
San Francisco, CA 94108

Section 7. This resolution takes effect immediately upon its passage.