

CITY OF DANA POINT**AGENDA REPORT**

Reviewed By:	
DH	<u>X</u>
CM	<u>X</u>
CA	<u> </u>

DATE: OCTOBER 17, 2017

TO: CITY MANAGER/CITY COUNCIL

FROM: MIKE KILLEBREW, DIRECTOR OF ADMINISTRATIVE SERVICES
KELLY REENDERS, ECONOMIC DEVELOPMENT MANAGER

SUBJECT: TEFRA PUBLIC HEARING REGARDING CONDUIT FINANCING FOR
THE CARITAS CORPORATION, 33951 SILVER LANTERN

RECOMMENDED ACTION:

That the City Council:

- 1) Conduct the Public Hearing under the requirements of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) and the Internal Revenue Code of 1986, as amended (the "Code") for conduit financing for all or a portion of the acquisition and improvement of the 17 unit apartment complex known as the Silver Lantern Apartments ("Project") located at 33951 Silver Lantern; and
- 2) Adopt the Resolution approving, authorizing and directing the execution of a Joint Powers Agreement (JPA) relating to the California Municipal Finance Authority (CMFA) and approving the issuance of the bonds by CMFA for The Caritas Corporation, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, to provide for the financing of all or a portion of the Project. Adoption is solely for the purposes of satisfying the requirements of TEFRA, the Code and the California Government Code Section 6500 entitled:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DANA POINT, CALIFORNIA, APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF A JOINT EXERCISE OF POWERS AGREEMENT RELATING TO THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY AND APPROVING THE ISSUANCE OF REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$67,500,000 BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR THE PURPOSE OF FINANCING AND REFINANCING THE ACQUISITION AND IMPROVEMENT OF MOBILE HOME PARKS AND OTHER LOW-INCOME MULTIFAMILY HOUSING

FACILITIES BY THE CARITAS CORPORATION, CARITAS ACQUISITIONS I, LLC, AND CARITAS SILVER LANTERN, LLC, AND CERTAIN OTHER MATTERS RELATING THERETO

BACKGROUND:

The City received a request to conduct a public hearing under the Tax Equity and Fiscal Responsibility Act (the “TEFRA Hearing”) in order for the Caritas Corporation to issue tax-exempt bonds through California Municipal Finance Authority (CMFA) to refinance and improve the 17 unit apartment building located at 33951 Silver Lantern.

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. CMFA assists 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. To date, over 270 municipalities have become members of CMFA.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation, 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.

Pursuant to Federal law in order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Dana Point, as the local jurisdiction, must adopt a Resolution approving the issuance of bonds and provide a public hearing so any concerned parties may speak in favor or against the use of tax-exempt financing of the project.

DISCUSSION:

The Caritas Corporation requested that CMFA participate in the issuance of one or more series of revenue bonds in an aggregate principal amount not to exceed \$67,500,000 to refinance several mobile home projects in southern California and an apartment complex in Dana Point. The Caritas Corporation is a California 501(c)3 non-profit corporation that has been in operation since 1996. The mission of Caritas is to provide affordable housing in a caring and vibrant environment. Caritas is currently carrying out its mission through twenty-two communities, which serve approximately 12,000 residents which it owns throughout the state of California. The majority of the affordable housing that Caritas provides is in the form of mobile home communities. In addition to the ownership of the communities, Caritas has an extensive program of social well-being activities, such as reading programs, educational programs, food assistance programs, tuition assistance, housing assistance, community involvement functions such as community dinners, parties and games, and recreational programs.

In October 2016 Caritas purchased its first non-mobile home community, the Silver Lantern Apartments in Dana Point. Silver Lantern is a seventeen unit apartment complex on the street of Silver Lantern within Dana Point. After acquisition, Caritas invested approximately \$250,000 in improvements to the property. This apartment complex was purchased with the specific intent to provide affordable housing for another non-profit, Friendship Shelter. Friendship Shelter's mission is to provide long term housing to individuals in critical need of housing. Caritas believes that through this acquisition, and now its relationship with Friendship Shelter, it has expanded its housing mission from mere "affordability" to "critical need". Caritas has a master lease with Friendship Shelter which is renewed on an annual basis.

When Caritas acquired this apartment complex, it used conventional bank financing given the size of the acquisition and the practicality of local financing. Caritas' history, however, has been to use tax exempt bond financing for all of its property holdings. Upon the acquisition of Silver Lantern, Caritas states they have always intended to refinance the property when the occasion arose to put the property into a tax exempt bond financing pool. Caritas is currently refinancing several properties in its portfolio for the specific purpose of obtaining a lower interest rate on its debt, and thus it was an appropriate time to include the Silver Lantern property in that tax exempt bond refinancing. The additional benefit of the tax exempt bond financing relative to the Silver Lantern property, is that the tax exempt bond financing is for a thirty (30) year term as opposed to the current conventional bank financing that is due in ten (10) years.

The issuance of bonds for the Silver Lantern Apartments supports the Housing Strategy as outlined in the Dana Point Housing Element, by supporting conservation and improvement of the existing housing stock of affordable housing and supporting housing for persons with disabilities.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Dana Point must conduct a TEFRA hearing.

The bonds will not be a debt of the City of Dana Point. This is a conduit financing in which CMFA will be the issuer and the City bears no financial or legal liability for the bonds.

In order for the CMFA to have the authority to serve as the issuer of the bonds for the project, it is necessary for the City of Dana Point to become a member of the CMFA. Action Document A is the joint exercise of powers agreement to be executed by a designated signatory of the City.

The joint exercise of powers agreement provides that the CMFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing such agreement.

The Marks-Roos Local Bond Pooling Act (California Government Code §6584-6599.1) was enacted by the California Legislature in 1985. The main purpose of this statute is to allow local California governments to work together to get financing in a way that will conceivably lower borrowing costs. Underlying this concept is the belief that money can be saved through economies of scale by selling one large bond issue to finance several small projects. Through this legislation, local municipalities and other political subdivisions can join together by signing a Joint Powers Agreement, which creates a Joint Powers Authority ("JPA"). The statute specifically defines the achievement of savings in a refinancing context as a public benefit.

In this case, Caritas is refinancing other affordable housing projects as a part of this bond issue. By issuing one larger series of bonds, through one bond issuer, CMFA, Caritas can achieve lower overall costs of financing. This savings goes directly to the mission of Caritas, as a nonprofit corporation focused on providing affordable living arrangements for residents throughout California.

There are no costs associated with membership in the CMFA and the City will in no way become exposed to any financial liability by reason of its membership in the CMFA. In addition, participation by the City in the CMFA will not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA hearing, adopting the required Resolution and executing the joint exercise of powers agreement of the CMFA, no other participation or activity of the City or the City Council with respect to the issuance of the bonds will be required.

The joint exercise of powers agreement expressly provides that any member may withdraw from such agreement upon written notice to the board of directors of the CMFA. In the case of the proposed bond financing for the borrower, following execution of the joint exercise of powers agreement, the City could, at any time following the issuance of the bonds, withdraw from the CMFA by providing written notice to the board of directors of the CMFA.

NOTIFICATION AND FOLLOW-UP:

A notice for this item was published in the Orange County Register on October 3, 2017.

FISCAL IMPACT:

The Bonds to be issued by the CMFA for the project will be the sole responsibility of the Borrower, and 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.

CMFA shares 25 percent of all issuance fees directly with its member communities. Through the City of Dana Point's membership in CMFA, as authorized through the Joint Powers Agreement, it is expected that a portion of the issuance fees will be allocated to the City of Dana Point's General Fund. Such grant may be used for any lawful purpose of the City.

ALTERNATIVE ACTIONS:

In light of the foregoing, and in order to support affordable housing, staff recommends that the City conduct the TEFRA Hearing, and consider executing the Joint Exercise of Powers Agreement of the CMFA, and adopt the Resolution in favor of the issuance of the Bonds by the CMFA.

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ACTION DOCUMENT A: Resolution No. XX**RESOLUTION NO. _____**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DANA POINT, CALIFORNIA, APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF A JOINT EXERCISE OF POWERS AGREEMENT RELATING TO THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY AND APPROVING THE ISSUANCE OF REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$67,500,000 BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR THE PURPOSE OF FINANCING AND REFINANCING THE ACQUISITION AND IMPROVEMENT OF MOBILE HOME PARKS AND OTHER LOW-INCOME MULTIFAMILY HOUSING FACILITIES BY THE CARITAS CORPORATION, CARITAS ACQUISITIONS I, LLC, AND CARITAS SILVER LANTERN, LLC, AND CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), certain public agencies (the "Members") have entered into a Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the "Agreement") in order to form the California Municipal Finance Authority (the "Authority"), for the purpose of promoting economic, cultural and community development, and in order to exercise any powers common to the Members, including the issuance of bonds, notes or other evidences of indebtedness; and

WHEREAS, the City of Dana Point (the "City"), has determined that it is in the public interest and for the public benefit that the City become a Member of the Authority in order to facilitate the promotion of economic, cultural and community development activities in the City, including the financing of projects therefor by the Authority; and

WHEREAS, there is now before this City Council (the "City Council") the form of the Agreement; and

WHEREAS, the Agreement has been filed with the City, and the members of the City Council, with the assistance of its staff, have reviewed said document; and

WHEREAS, the Authority is authorized to issue and sell revenue bonds for the purpose, among others, of financing or refinancing the acquisition, construction and improvement of capital projects; and

WHEREAS, The Caritas Corporation, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Corporation"), Caritas Acquisitions I, LLC (the "Company"), a California limited liability company, whose sole member is the Corporation, and Caritas Silver Lantern, LLC ("Silver Lantern" and together with the Corporation and the Company, the

“Borrower”), a California limited liability company, whose sole member is the Corporation, have requested that the California Municipal Finance Authority (the “Authority”) participate in the issuance of one or more series of revenue bonds in an aggregate principal amount not to exceed \$67,500,000 (the “Bonds”), pursuant to a plan of finance, for: (a) the 2017 Project, as defined below; (b) refunding all or a portion of the Authority’s outstanding Mobile Home Park Senior Revenue Bonds (Caritas Projects) Series 2010A and Mobile Home Park Subordinate Revenue Bonds (Caritas Projects) Series 2010B (collectively, the “2010 Bonds”), issued to finance or refinance the 2010 Project, as defined below; (c) refunding all or a portion of the outstanding City of San Marcos Mobile Home Park Revenue Bonds (Valle Verde Mobile Home Park Project) Series 1999 (the “1999 Bonds”), issued to finance or refinance the 1999 Project, as defined below (together with the 2010 Project and the 2017 Project, the “Project”); (d) financing a debt service reserve fund for the Bonds; and (e) payment of costs of issuance and certain interest with respect to the Bonds; and

WHEREAS, the term “2017 Project” means financing and refinancing all or a portion of the acquisition and improvement of a 17 unit apartment complex known as the Silver Lantern Apartments located at 33951 Silver Lantern Street, Dana Point, California 92629; and

WHEREAS, the term “2010 Project” means financing and refinancing all or a portion of the acquisition and improvement of: (a) a 217 space mobile home park known as El Dorado Palms Mobile Home Park located at 35218 Fir Avenue, Yucaipa, County of San Bernardino, California 92399; (b) a 168 space mobile home park known as Bahia Village Mobile Home Park located at 13096 Blackbird Street, Garden Grove, California 92843; (c) an 86 space mobile home park known as Emerald Isle Mobile Home Park located at 13741 Clinton Street, Garden Grove, California 92843; and (d) a 298 space mobile home park known as Mountain View Estates Mobile Home Park located at 3255 E. Avenue R, Palmdale, California 93550; and

WHEREAS, the term “1999 Project” means financing and refinancing all or a portion of the acquisition and improvement of a 150 space mobile home park known as Valle Verde Estates Mobile Home Park located at 1286 Discovery Street, San Marcos, California 92078; and

WHEREAS, the 1999 Project and a portion of the 2010 Project are owned and operated by the Corporation; the balance of the 2010 Project is owned and operated by the Company; and the 2017 Project is owned by Silver Lantern and operated and managed by Friendship Shelter Inc., a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code; and

WHEREAS, the 2017 Project is located within the City; and

WHEREAS, not less than twenty percent (20%) of the residential units in the mobile home parks and the apartment building to be financed shall be occupied by individuals whose income is fifty percent (50%) or less of area median gross income; and

the manager of the mobile home parks will be the Corporation or the Company, as applicable, or another entity selected by the Corporation or the Company; and

WHEREAS, each of the local agencies in the geographic jurisdiction of which all or a portion of the 2010 Project or the 1999 Project is located will separately approve the issuance of the Bonds; and

WHEREAS, in order for the interest on the Bonds to be tax-exempt, Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), requires that an "applicable elected representative" of the governmental unit, the geographic jurisdiction of which contains the site of a portion of the Project to be financed with the proceeds of the Bonds, hold a public hearing on the issuance of the Bonds and approve the issuance of the Bonds following such hearing; and

WHEREAS, the Authority has determined that the City Council is an "applicable elected representative" for purposes of holding such hearing; and

WHEREAS, 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) of the Code and, the requirements of Section 4 of the Agreement; and

WHEREAS, notice of such public hearing has been duly given as required by the Code, and this City Council has heretofore held such public hearing at which all interested persons were given an opportunity to be heard on all matters relative to the financing or refinancing of the 2017 Project and the Authority's issuance of the Bonds therefor; and

WHEREAS, 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 aforesaid purposes;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Dana Point as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. The Agreement is hereby approved and the Mayor, City Manager, Chairperson or the designee thereof is hereby authorized and directed to execute said document, and the City Clerk or such Clerk's designee is hereby authorized and directed to attest thereto.

Section 3. The City Council hereby approves the issuance of the Bonds by the Authority. It is the purpose and intent of the City Council that this Resolution constitute approval of the issuance of the Bonds (a) by the "applicable elected representative" of the governmental unit having jurisdiction over the area in which a portion of the Project is located in accordance with Section 147(f) of the Code and (b) by the City Council in accordance with Section 4 of the Agreement.

Section 4. The issuance of the Bonds shall be subject to the approval of the Authority of all financing documents relating thereto to which the Authority is a party. The City shall have no responsibility or liability whatsoever with respect to the Bonds. The Bonds shall not constitute an obligation or indebtedness of the City and the assets and revenues of the City are not being pledged as security for the payment of principal or interest on the Bonds.

Section 5. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the financing transaction approved hereby.

Section 6. The adoption of this Resolution shall not obligate the City or any department thereof to (i) provide any financing to acquire, rehabilitate or construct the Project or any refinancing of the Project or any portion thereof; (ii) 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 or any portion thereof; (iii) make any contribution or advance any funds whatsoever to the Authority; or (iv) take any further action with respect to the Authority or its membership therein.

Section 7. The executing officers, the Clerk and all other proper officers and officials of the City are hereby authorized and directed to execute such other agreements, documents and certificates, and to perform such other acts and deeds, as may be necessary or convenient to effect the purposes of this Resolution and the transactions herein authorized.

Section 8. The Clerk shall forward a certified copy of this Resolution and an originally executed Agreement to the Authority in care of its counsel:

Ronald E. Lee, Esq.
Jones Hall, APLC
475 Sansome Street, Suite 1700
San Francisco, CA 94111

Section 9. This Resolution shall take effect immediately upon its adoption.

[Remainder of page intentionally left blank]

PASSED, APPROVED, AND ADOPTED this 17th day of October, 2017.

DEBRA LEWIS, MAYOR

ATTEST:

KATHY M. WARD, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF DANA POINT)

I, Kathy M. Ward, City Clerk of the City of Dana Point, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 17-10-17-XX adopted by the City Council of the City of Dana Point, California, at a regular meeting thereof held on the 17th day of October, 2017, by the following vote:

AYES:

NOES:

ABSENT:

(SEAL)

KATHY M. WARD, CITY CLERK

ACTION DOCUMENT B: Joint Exercise of Powers Agreement

**JOINT EXERCISE OF POWERS AGREEMENT
RELATING TO THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY**

THIS AGREEMENT, dated as of January 1, 2004, among the parties executing this Agreement (all such parties, except those which have withdrawn as provided herein, are referred to as the "Members" and those parties initially executing this Agreement are referred to as the "Initial Members"):

WITNESSETH

WHEREAS, pursuant to Title 1, Division 7, Chapter 5 of the California Government Code (in effect as of the date hereof and as the same may from time to time be amended or supplemented, the "Joint Exercise of Powers Act"), two or more public agencies may by agreement jointly exercise any power common to the contracting parties; and

WHEREAS, each of the Members is a "public agency" as that term is defined in Section 6500 of the Joint Exercise of Powers Act; and

WHEREAS, each of the Members is empowered by law to promote economic, cultural and community development, including, without limitation, the promotion of opportunities for the creation or retention of employment, the stimulation of economic activity, the increase of the tax base, and the promotion of opportunities for education, cultural improvement and public health, safety and general welfare; and

WHEREAS, each of the Members may accomplish the purposes and objectives described in the preceding preamble by various means, including through making grants, loans or providing other financial assistance to governmental and nonprofit organizations; and

WHEREAS, each Member is also empowered by law to acquire and dispose of real property for a public purpose; and

WHEREAS, the Joint Exercise of Powers Act authorizes the Members to create a joint exercise of powers entity with the authority to exercise any powers common to the Members, as specified in this Agreement and to exercise the additional powers granted to it in the Joint Exercise of Powers Act and any other applicable provisions of the laws of the State of California; and

WHEREAS, a public entity established pursuant to the Joint Exercise of Powers Act is empowered to issue or execute bonds, notes, commercial paper or any other evidences of indebtedness, including leases or installment sale agreements or certificates of participation therein (herein "Bonds"), and to otherwise undertake financing programs under the Joint Exercise of Powers Act or other applicable provisions of the laws of the State of California to accomplish its public purposes; and

WHEREAS, the Members have determined to specifically authorize a public entity authorized pursuant to the Joint Exercise of Powers Act to issue Bonds pursuant to the Joint Exercise of Powers Act or other applicable provisions of the laws of the State of California; and

WHEREAS, it is the desire of the Members to use a public entity established pursuant to the Joint Exercise of Powers Act to undertake the financing and/or refinancing of projects of any nature, including, but not limited to, capital or working capital projects, insurance, liability or retirement programs or facilitating Members use of existing or new financial instruments and mechanisms; and

WHEREAS, it is further the intention of the Members that the projects undertaken will result in significant public benefits to the inhabitants of the jurisdictions of the Members; and

WHEREAS, by this Agreement, each Member desires to create and establish the "California Municipal Finance Authority" for the purposes set forth herein and to exercise the powers provided herein;

NOW, THEREFORE, the Members, for and in consideration of the mutual promises and agreements herein contained, do agree as follows:

Section 1. Purpose.

This Agreement is made pursuant to the provisions of the Joint Exercise of Powers Act. The purpose of this Agreement is to establish a public entity for the joint exercise of powers common to the Members and for the exercise of additional powers given to a joint powers entity under the Joint Powers Act or any other applicable law, including, but not limited to, the issuance of Bonds for any purpose or activity permitted under the Joint Exercise of Powers Act or any other applicable law. Such purpose will be accomplished and said power exercised in the manner hereinafter set forth.

Section 2. Term.

This Agreement shall become effective in accordance with Section 17 as of the date hereof and shall continue in full force and effect until such time as it is terminated in writing by all the Members; provided, however, that this Agreement shall not terminate or be terminated until all Bonds issued or caused to be issued by the Authority (defined below) shall no longer be outstanding under the terms of the indenture, trust agreement or other instrument pursuant to which such Bonds are issued, or unless a successor to the Authority assumes all of the Authority's debts, liabilities and obligations.

Section 3. Authority.

A. CREATION AND POWERS OF AUTHORITY.

Pursuant to the Joint Exercise of Powers Act, there is hereby created a public entity to be known as the "California Municipal Finance Authority" (the "Authority"), and said Authority shall be a public entity separate and apart from the Members. Its

debts, liabilities and obligations do not constitute debts, liabilities or obligations of any Members.

B. BOARD.

The Authority shall be administered by the Board of Directors (the "Board," or the "Directors" and each a "Director") of the California Foundation for Stronger Communities, a nonprofit public benefit corporation organized under the laws of the State of California (the "Foundation"), with each such Director serving in his or her individual capacity as a Director of the Board. The Board shall be the administering agency of this Agreement and, as such, shall be vested with the powers set forth herein, and shall administer this Agreement in accordance with the purposes and functions provided herein. The number of Directors, the appointment of Directors, alternates and successors, their respective terms of office, and all other provisions relating to the qualification and office of the Directors shall be as provided in the Articles and Bylaws of the Foundation, or by resolution of the Board adopted in accordance with the Bylaws of the Foundation.

All references in this Agreement to any Director shall be deemed to refer to and include the applicable alternate Director, if any, when so acting in place of a regularly appointed Director.

Directors may receive reasonable compensation for serving as such, and shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a Director, if the Board shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purpose.

The Foundation may be removed as administering agent hereunder and replaced at any time by amendment of this Agreement approved as provided in Section 16; provided that a successor administering agent of this Agreement has been appointed and accepted its duties and responsibilities under this Agreement.

C. OFFICERS; DUTIES; OFFICIAL BONDS.

The officers of the Authority shall be the Chair, Vice-Chair, Secretary and Treasurer (defined below). The Board, in its capacity as administering agent of this Agreement, shall elect a Chair, a Vice-Chair, and a Secretary of the Authority from among Directors to serve until such officer is re-elected or a successor to such office is elected by the Board. The Board shall appoint one or more of its officers or employees to serve as treasurer, auditor, and controller of the Authority (the "Treasurer") pursuant to Section 6505.6 of the Joint Exercise of Powers Act to serve until such officer is re-elected or a successor to such office is elected by the Board.

Subject to the applicable provisions of any resolution, indenture, trust agreement or other instrument or proceeding authorizing or securing Bonds (each such resolution, indenture, trust agreement, instrument and proceeding being herein referred to as an "Indenture") providing for a trustee or other fiscal agent, and except as may otherwise be

specified by resolution of the Board, the Treasurer is designated as the depository of the Authority to have custody of all money of the Authority, from whatever source derived and shall have the powers, duties and responsibilities specified in Sections 6505, 6505.5 and 6509.5 of the Joint Exercise of Powers Act.

The Treasurer of the Authority is designated as the public officer or person who has charge of, handles, or has access to any property of the Authority, and such officer shall file an official bond with the Secretary of the Authority in the amount specified by resolution of the Board but in no event less than \$1,000.

The Board shall have the power to appoint such other officers and employees as it may deem necessary and to retain independent counsel, consultants and accountants.

The Board shall have the power, by resolution, to the extent permitted by the Joint Exercise of Power Act or any other applicable law, to delegate any of its functions to one or more of the Directors or officers, employees or agents of the Authority and to cause any of said Directors, officers, employees or agents to take any actions and execute any documents or instruments for and in the name and on behalf of the Board or the Authority.

D. MEETINGS OF THE BOARD.

(1) Ralph M. Brown Act.

All meetings of the Board, including, without limitation, regular, adjourned regular, special, and adjourned special meetings shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with Section 54950 of the Government Code of the State of California), or any successor legislation hereinafter enacted (the "Brown Act").

(2) Regular Meetings.

The Board shall provide for its regular meetings; provided, however, it shall hold at least one regular meeting each year. The date, hour and place of the holding of the regular meetings shall be fixed by resolution of the Board. To the extent permitted by the Brown Act, such meetings may be held by telephone conference.

(3) Special Meetings.

Special meetings of the Board may be called in accordance with the provisions of Section 54956 of the Government Code of the State of California. To the extent permitted by the Brown Act, such meetings may be held by telephone conference.

(4) Minutes.

The Secretary of the Authority shall cause to be kept minutes of the regular, adjourned regular, special, and adjourned special meetings of the Board and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Director.

(5) Quorum.

A majority of the Board shall constitute a quorum for the transaction of business. No action may be taken by the Board except upon the affirmative vote of a majority of the Directors constituting a quorum, except that less than a quorum may adjourn a meeting to another time and place.

E. RULES AND REGULATIONS.

The Authority may adopt, from time to time, by resolution of the Board such rules and regulations for the conduct of its meetings and affairs as may be required.

Section 4. Powers.

The Authority shall have the power, in its own name, to exercise the common powers of the Members and to exercise all additional powers given to a joint powers entity under any of the laws of the State of California, including, but not limited to, the Joint Exercise of Powers Act, for any purpose authorized under this Agreement. Such powers shall include the common powers specified in this Agreement and may be exercised in the manner and according to the method provided in this Agreement. The Authority is hereby authorized to do all acts necessary for the exercise of such power, including, but not limited to, any of all of the following: to make and enter into contracts; to employ agents and employees; to acquire, construct, provide for maintenance and operation of, or maintain and operate, any buildings, works or improvements; to acquire, hold or dispose of property wherever located; to incur debts, liabilities or obligations; to receive gifts, contributions and donations of property, funds, services, and other forms of assistance from person, firms, corporations and any governmental entity; to sue and be sued in its own name; to make grants, loans or provide other financial assistance to governmental and nonprofit organizations (e.g., the Members or the Foundation) to accomplish any of its purposes; and generally to do any and all things necessary or convenient to accomplish its purposes.

Without limiting the generality of the foregoing, the Authority may issue or cause to be issued Bonds, and pledge any property or revenues as security to the extent permitted under the Joint Exercise of Powers Act, or any other applicable provision of law; provided, however, the Authority shall not issue Bonds with respect to any project located in the jurisdiction of one or more Members unless the governing body of any such Member, or its duly authorized representative, shall approve, conditionally or unconditionally, the project, including the issuance of Bonds therefor. Such approval may be evidenced by resolution, certificate, order, report or such other means of written approval of such project as may be selected by the Member (or its authorized representative) whose approval is required. No such approval shall be required in

connection with Bonds that refund Bonds previously issued by the Authority and approved by the governing board of a Member.

The manner in which the Authority shall exercise its powers and perform its duties is and shall be subject to the restrictions upon the manner in which a California general law city could exercise such powers and perform such duties. The manner in which the Authority shall exercise its powers and perform its duties shall not be subject to any restrictions applicable to the manner in which any other public agency could exercise such powers or perform such duties, whether such agency is a party to this Agreement or not.

Section 5. Fiscal Year.

For the purposes of this Agreement, the term "Fiscal Year" shall mean the fiscal year as established from time to time by resolution of the Board, being, at the date of this Agreement, the period from July 1 to and including the following June 30, except for the first Fiscal Year which shall be the period from the date of this Agreement to June 30, 2004.

Section 6. Disposition of Assets.

At the end of the term hereof or upon the earlier termination of this Agreement as set forth in Section 2, after payment of all expenses and liabilities of the Authority, all property of the Authority both real and personal shall automatically vest in the Members in the manner and amount determined by the Board in its sole discretion and shall thereafter remain the sole property of the Members; provided, however, that any surplus money on hand shall be returned in proportion to the contributions made by the Members.

Section 7. Bonds.

From time to time the Authority shall issue Bonds, in one or more series, for the purpose of exercising its powers and raising the funds necessary to carry out its purposes under this Agreement.

The services of bond counsel, financing consultants and other consultants and advisors working on the projects and/or their financing shall be used by the Authority. The expenses of the Board shall be paid from the proceeds of the Bonds or any other unencumbered funds of the Authority available for such purpose.

Section 8. Bonds Only Limited and Special Obligations of Authority.

The 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 or the Authority. The Bonds shall be only special obligations of the Authority, and the Authority shall under no circumstances be obligated to pay the Bonds except from revenues and other funds pledged therefor. Neither the Members nor the Authority shall be obligated to pay the principal of, premium, if any, or interest on the Bonds, or other costs incidental thereto, except from the revenues and funds pledged therefor, and neither the faith and credit nor the taxing power of the Members nor the faith and credit of the Authority shall be pledged to the payment of the

principal of, premium, if any, or interest on the Bonds nor shall the Members or the Authority in any manner be obligated to make any appropriation for such payment.

No covenant or agreement contained in any Bond or related document shall be deemed to be a covenant or agreement of any Director, or any officer, employee or agent of the Authority in his or her individual capacity and neither the Board of the Authority nor any Director or officer thereof executing the Bonds shall be liable personally on any Bond or be subject to any personal liability or accountability by reason of the issuance of any Bonds.

Section 9. Accounts and Reports.

All funds of the Authority shall be strictly accounted for. The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice and by any provision of any Indenture (to the extent such duties are not assigned to a trustee of Bonds). The books and records of the Authority shall be open to inspection at all reasonable times by each Member.

The Treasurer of the Authority shall cause an independent audit to be made of the books of accounts and financial records of the Authority by a certified public accountant or public accountant in compliance with the provisions of Section 6505 of the Joint Exercise of Powers Act. In each case the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California and shall conform to generally accepted auditing standards. When such an audit of accounts and records is made by a certified public accountant or public accountant, a report thereof shall be filed as a public record with each Member and also with the county auditor of each county in which a Member is located; provided, however, that to the extent permitted by law, the Authority may, instead of filing such report with each Member and such county auditor, elect to post such report as a public record electronically on a website designated by the Authority. Such report if made shall be filed within 12 months of the end of the Fiscal Year or Years under examination.

The Treasurer is hereby directed to report in writing on the first day of July, October, January, and April of each year to the Board and the Members which report shall describe the amount of money held by the Treasurer for the Authority, the amount of receipts since the last such report, and the amount paid out since the last such report (which may exclude amounts held by a trustee or other fiduciary in connection with any Bonds to the extent that such trustee or other fiduciary provided regular reports covering such amounts.)

Any costs of the audit, including contracts with, or employment of, certified public accountants or public accountants in making an audit pursuant to this Section, shall be borne by the Authority and shall be a charge against any unencumbered funds of the Authority available for that purpose.

In any Fiscal Year the Board may, by resolution adopted by unanimous vote, replace the annual special audit with an audit covering a two-year period.

Section 10. Funds.

Subject to the applicable provisions of any Indenture, which may provide for a trustee or other fiduciary to receive, have custody of and disburse Authority funds, the Treasurer of the Authority shall receive, have the custody of and disburse Authority funds pursuant to the accounting procedures developed under Sections 3.C and 9, and shall make the disbursements required by this Agreement or otherwise necessary to carry out any of the provisions of purposes of this Agreement.

Section 11. Notices.

Notices and other communications hereunder to the Members shall be sufficient if delivered to the clerk of the governing body of each Member; provided, however, that to the extent permitted by law, the Authority may, provide notices and other communications and postings electronically (including, without limitation, through email or by posting to a website).

Section 12. Additional Members/Withdrawal of Members.

Qualifying public agencies may be added as parties to this Agreement and become Members upon: (1) the filing by such public agency with the Authority of an executed counterpart of this Agreement, together with a copy of the resolution of the governing body of such public agency approving this Agreement and the execution and delivery hereof; and (2) adoption of a resolution of the Board approving the addition of such public agency as a Member. Upon satisfaction of such conditions, the Board shall file such executed counterpart of this Agreement as an amendment hereto, effective upon such filing.

A Member may withdraw from this Agreement upon written notice to the Board; provided, however, that no such withdrawal shall result in the dissolution of the Authority so long as any Bonds remain outstanding. Any such withdrawal shall be effective only upon receipt of the notice of withdrawal by the Board which shall acknowledge receipt of such notice of withdrawal in writing and shall file such notice as an amendment to this Agreement effective upon such filing.

Section 13. Indemnification.

To the full extent permitted by law, the Board may authorize indemnification by the Authority of any person who is or was a Director or an officer, employee or other agent of the Authority, and who was or is a party or is threatened to be made a party to a proceeding by reason of the fact that such person is or was such a Director or an officer, employee or other agent of the Authority, against expenses, including attorneys fees, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if such person acted in good faith in a manner such person reasonably believed to be in the best interests of the Authority and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful and, in the case of an action by or in the right of the Authority, acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 14. Contributions and Advances.

Contributions or advances of public funds and of the use of personnel, equipment or property may be made to the Authority by the Members for any of the purposes of this Agreement. Payment of public funds may be made to defray the cost of any such contribution or advance. Any such advance may be made subject to repayment, and in such case shall be repaid, in the manner agreed upon by the Authority and the Member making such advance at the time of such advance. It is mutually understood and agreed to that no Member has any obligation to make advances or contributions to the Authority to provide for the costs and expenses of administration of the Authority, even though any Member may do so. The Members understand and agree that a portion of the funds of the Authority that otherwise may be allocated or distributed to the Members may instead be used to make grants, loans or provide other financial assistance to governmental units and nonprofit organizations (e.g., the Foundation) to accomplish any of the governmental unit's or nonprofit organization's purposes.

Section 15. Immunities.

All of the privileges and immunities from liabilities, exemptions from laws, ordinances and rules, and other benefits which apply to the activity of officers, agents or employees of Members when performing their respective functions within the territorial limits of their respective public agencies, shall apply to the same degree and extent to the Directors, officers, employees, agents or other representatives of the Authority while engaged in the performance of any of their functions or duties under the provisions of this Agreement.

Section 16. Amendments.

Except as provided in Section 12 above, this Agreement shall not be amended, modified, or altered, unless the negative consent of each of the Members is obtained. To obtain the negative consent of each of the Members, the following negative consent procedure shall be followed: (a) the Authority shall provide each Member with a notice at least sixty (60) days prior to the date such proposed amendment is to become effective explaining the nature of such proposed amendment and this negative consent procedure; (b) the Authority shall provide each Member who did not respond a reminder notice with a notice at least thirty (30) days prior to the date such proposed amendment is to become effective; and (c) if no Member objects to the proposed amendment in writing within sixty (60) days after the initial notice, the proposed amendment shall become effective with respect to all Members.

Section 17. Effectiveness.

This Agreement shall become effective and be in full force and effect and a legal, valid and binding obligation of each of the Members on the date that the Board shall have received from two of the Initial Members an executed counterpart of this Agreement, together with a certified copy of a resolution of the governing body of each such Initial Member approving this Agreement and the execution and delivery hereof.

Section 18. Partial Invalidity.

If any one or more of the terms, provisions, promises, covenants or conditions of this Agreement shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this Agreement shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Section 19. Successors.

This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties hereto. Except to the extent expressly provided herein, no Member may assign any right or obligation hereunder without the consent of the other Members.

Section 20. Miscellaneous.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section referred to.

Wherever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

This Agreement shall be governed under the laws of the State of California.

This Agreement is the complete and exclusive statement of the agreement among the Members, which supercedes and merges all prior proposals, understandings, and other agreements, whether oral, written, or implied in conduct, between and among the Members relating to the subject matter of this Agreement.

IN WITNESS WHEREOF, the City of Dana Point has caused this Agreement to be executed and attested by its duly authorized representatives as of the ____ day of _____, 2017.

Member:

CITY OF DANA POINT

By _____
Name:
Title:

ATTEST:

By _____
Name:
Title:

SUPPORTING DOCUMENT C: Notice of Public Hearing

AFFIDAVIT OF PUBLICATION

STATE OF CALIFORNIA,)
) ss.
 County of Orange)

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of **The Orange County Register**, a newspaper of general circulation, published in the city of Santa Ana, County of Orange, and which newspaper has been adjudged to be a newspaper of general circulation by the Superior Court of the County of Orange, State of California, under the date of November 19, 1905, Case No. A-21046, that the notice, of which the annexed is a true printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

October 3, 2017

"I certify (or declare) under the penalty of perjury under the laws of the State of California that the foregoing is true and correct":

Executed at Santa Ana, Orange County, California, on

Date: October 3, 2017



Signature

The Orange County Register
 625 N. Grand Ave.
 Santa Ana, CA 92701
 (714) 796-2209

PROOF OF PUBLICATION

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on October 17, 2017 a public hearing as required by Section 147(f) of the Internal Revenue Code of 1966 (the "Code") will be held by the City of Dana Point, California with respect to the proposed issuance by the California Municipal Finance Authority (the "Authority") of its revenue bonds in one or more series in an aggregate principal amount not to exceed \$67,500,000 (the "Bonds"). The proceeds of the Bonds will be used, pursuant to a plan of finance, for: (a) the 2017 Project, as defined below; (b) refunding all or a portion of the Authority's outstanding Mobile Home Park Senior Revenue Bonds (Caritas Projects) Series 2010A and Mobile Home Park Subordinate Revenue Bonds (Caritas Projects) Series 2010B (collectively, the "2010 Bonds"), issued to finance or refinance the 2010 Project, as defined below; (c) refunding all or a portion of the outstanding City of San Marcos Mobile Home Park Revenue Bonds (Vale Verde Mobile Home Park Project) Series 1999 (the "1999 Bonds"), issued to finance or refinance the 1999 Project, as defined below (together with the 2010 Project and the 2017 Project, the "Project"); (d) financing a debt service reserve fund for the Bonds; and (e) payment of costs of issuance and certain interest with respect to the Bonds.

The term "2017 Project" means financing and refinancing all or a portion of the acquisition and improvement of a 17 unit apartment complex known as the Silver Lantern Apartments located at 33951 Silver Lantern Street, Dana Point, California 92629.

The term "2010 Project" means financing and refinancing all or a portion of the acquisition and improvement of: (a) a 217 space mobile home park known as El Dorado Palms Mobile Home Park located at 35218 Fir Avenue, Yucca, County of San Bernardino, California 92399; (b) a 168 space mobile home park known as Bahia Village Mobile Home Park located at 13096 Blackbird Street, Garden Grove, California 92643; (c) an 86 space mobile home park known as Emerald Isle Mobile Home Park located at 13741 Clinton Street, Garden Grove, California 92643; and (d) a 296 space mobile home park known as Mountain View Estates Mobile Home Park located at 3255 E. Avenue R, Palmdale, California 93550.

The term "1999 Project" means financing and refinancing all or a portion of the acquisition and improvement of a 130 space mobile home park known as Vale Verde Estates Mobile Home Park located at 1286 Discovery Street, San Marcos, California 92078.

The 1999 Project and a portion of the 2010 Project are owned and operated by The Caritas Corporation, a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code (the "Corporation"). The balance of the 2010 Project is owned and operated by Caritas Acquisitions I, LLC, a California limited liability company (the "Company"), whose sole member is the Corporation. The 2017 Project is owned by Caritas Silver Lantern, LLC, a California limited liability company ("Silver Lantern") and together with the Corporation and the Company, the "Borrower", whose sole member is the Corporation, and operated and managed by Friends for Shelter Inc., a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code.

Not less than twenty percent (20%) of the residential units in the mobile home parks and the apartment building to be financed shall be occupied by individuals whose income is fifty percent (50%) or less of area median gross income. The manager of the mobile home parks will be the Corporation or the Company, as applicable, or another entity selected by the Corporation or the Company.

The Bonds and the obligation to pay principal of and interest thereon and any redemption premium with respect thereto do not constitute indebtedness or an obligation of the City of Dana Point, the Authority, the State of California or any political subdivision thereof, within the meaning of any constitutional or statutory debt limitation, or a charge against the general credit or taxing powers of any of them. The Bonds shall be a limited obligation of the Authority, payable solely from certain revenues duly pledged thereto and generally representing amounts paid by the Borrower.

The hearing will commence at 6:00 p.m. or as soon thereafter as the matter can be heard, and will be held in the City Council Chamber, 33282 Golden Lantern, Suite 210, Dana Point, CA 92629. Interested persons wishing to express their views on the issuance of the Bonds or on the nature and location of the facilities proposed to be financed and refinanced may attend the public hearing or, prior to the time of the hearing, submit written comments.

Additional information concerning the above matter may be obtained from and written comments should be addressed to, the City Clerk, 33282 Golden Lantern, Dana Point, California 92629.

Dated: October 3, 2017

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