



CITY COUNCIL STAFF REPORT

ITEM NO. 7.1

DATE: March 9, 2026

TO: Honorable Mayor and City Council

FROM: Tina Olson, Administrative Services Director

SUBJECT: Tax Equity and Fiscal Responsibility Act (TEFRA) hearing and resolution for the reissuance and amendment to bond documents for the financing of the 250-unit multifamily rental housing project known as Heritage Estates

RECOMMENDED ACTION

Staff recommends the City Council conduct a public hearing regarding the reissuance of Multifamily Housing Revenue Refunding Bonds by the City, as housing successor to the former Redevelopment Agency of the City of Livermore in a principal amount not-to-exceed \$26,000,000 (Bonds) for the purpose of refinancing the acquisition and construction of the 250-unit multifamily rental housing project located at 850 and 900 East Stanley Boulevard and known as Heritage Estates. Staff recommends the City Council adopt a resolution approving the reissuance of the Bonds, the amendment of the documents relating to the Bonds, and other related agreements and actions.

DECISION TYPE

Administrative

SUMMARY

The Redevelopment Agency of the City of Livermore (Former Agency) previously issued bonds and loaned the proceeds to the developer of the Heritage Estates project, a 250-unit multifamily rental housing project of which 103 units are restricted to low-income tenants. To avoid a mandatory redemption of the bonds, certain amendments are proposed to the bond documents. The consent of the City, as housing successor to the Former Agency, is necessary to effectuate the amendments. Additionally, for the bonds to continue to be tax-exempt after the amendments, a TEFRA hearing and approval is required.

DISCUSSION

Background.

In 2005, the Former Agency was the conduit issuer of \$29,800,000 original principal amount of tax-

exempt Multifamily Housing Revenue Refunding Bonds (Heritage Estates) 2005 Series A (2005 Bonds), which refunded prior bonds of the Former Agency that provided financing for the acquisition and construction by Livermore Senior Living Associates, LP (Borrower) of the 250-unit multifamily rental housing project known as Heritage Estates (Project). The 2005 Bonds are secured by a senior lien on the Project. Redevelopment agencies in California were dissolved by state law in 2012 and the housing functions of the Former Agency were assumed by the City. As such, the City is the successor conduit issuer of the 2005 Bonds. As conduit issuer, neither the City nor the Former Agency are liable for the payment of the 2005 Bonds. All payments on the 2005 Bonds are the responsibility of the Borrower.

The Former Agency also made two subordinate loans of its own funds to the Borrower to provide additional financing for the Project: (1) a subordinate loan known as the "\$800,000 Loan" (also known as the "2002 City Loan") for the original principal amount thereof and (2) a subordinate loan known as the "Additional Subsidy Loan" (also known as the "2007 City Loan"). The "\$800,000 Loan" provides for capitalized interest at 10% for the first 17 years and at 5% for years 18-57. If the Project maintains the required affordability levels throughout the term, then the additional interest from years 18-57 is forgiven and the loan is due at year 57, i.e., in 2059. With capitalized interest, the current outstanding principal of the "\$800,000 Loan" is approximately \$4,291,387. The "Additional Subsidy Loan" paid no principal or interest for the first 10 years and then began amortizing over the following 10 years. The Borrower prepaid the "Additional Subsidy Loan" on February 25, 2026. The "\$800,000 Loan" is secured by a lien on the Project that is junior to the senior lien that secures the 2005 Bonds, pursuant to a subordination agreement entered into by the Former Agency. Provided there is no event of default under the 2005 Bonds, the subordination agreement allows the "\$800,000 Loan" to be paid according to its terms.

Proposed Refinancing.

The Borrower has been notified by the current bondholder that the 2005 Bonds must be redeemed by March 31, 2026. The Borrower has elected to exercise its right under the Trust Indenture dated as of November 1, 2005, and related to the 2005 Bonds (Indenture) to have the 2005 Bonds be purchased by a new bondholder in lieu of being redeemed.

In connection with this purchase in lieu of redemption, Mizuho Capital Markets LLC, the proposed new bondholder (Mizuho), and the Borrower have proposed to amend the 2005 Bonds to, among other things, extend the maturity thereof to May 1, 2049, and change the interest rate applicable to the 2005 Bonds. These amendments to the Indenture and the Loan Agreement under which the bond proceeds were loaned to the Borrower (Loan Agreement) will be evidenced by First Supplemental Trust Indenture and Amendment to Bond Documents (Supplemental Indenture).

As conduit issuer, the City's consent is necessary to approve the Supplemental Indenture, and the resolution approves the form of Supplemental Indenture.

Bond counsel has also advised that these amendments to the Indenture and Loan Agreement result in a "reissuance" of the 2005 Bonds for federal tax purposes, with the amended Bonds being deemed reissued to refund the 2005 Bonds. For the reissued Bonds to continue to be tax-exempt, the TEFRA hearing must be held to receive public comment and thereafter, the City Council must provide its approval of the reissuance of the Bonds. The resolution provides for this TEFRA approval.

Mizuho and the Borrower also propose to enter into a "Total Return Swap" (Swap), which contains two elements: (1) an exchange of fixed and floating interest rates and (2) an exchange of capital appreciation

or depreciation on the reissued Bonds over the term of the Swap (Termination Payment). The Borrower's obligations under the Swap will be secured by a lien on the Project, which the Borrower and Mizuho have requested be senior to the lien of the "\$800,000 Loan" but junior to the lien of the reissued Bonds. This would require the City to sign new subordination agreements, in substantially the same form as the existing subordination agreements, to ensure the \$800,000 Loan is junior to both the reissued Bonds and the Swap. The Borrower has prepaid the "Additional Subsidy Loan," ahead of its scheduled maturity this year, which avoids the necessity for further subordination agreements related to the "Additional Subsidy Loan."

The Swap does not create additional debt for borrowed money but does create additional payment obligations by the Borrower in the form of the interest rate swap payments and the Termination Payment. However, the Borrower has indicated that the Swap will not increase their total liability because any Termination Payment under the Swap could be netted against the ability to repurchase the Bonds at a lower price. For example, if the Bonds declined in value to 95% of their principal amount, the Borrower would owe Mizuho 5% as a Termination Payment on the Swap, but the Borrower would then repurchase the Bonds at their 95% price, keeping the Borrower's liability to 100% of the principal amount of the Bonds.

If this transaction is not approved or otherwise does not occur and the Borrower is unable to find an alternative refinancing source, the 2005 Bonds will be in default on March 31, 2026. The City is not liable on the 2005 Bonds and will not be liable on the reissued Bonds.

FISCAL AND ADMINISTRATIVE IMPACTS

The reissuance of the Bonds and the amendment of the bond documents do not result in a financial impact or an obligation to the General Fund. Bond repayment will be derived from project revenue and will be the sole responsibility of the Borrower.

The "\$800,000 Loan" is reported in the governmental Housing Successor Special Revenue Fund. The "Additional Subsidy Loan" was repaid on February 25, 2026. The "\$800,000 Loan" will remain outstanding and will be subordinate to the reissued Bonds and the Swap.

All costs of the reissuance of the Bonds, including publication costs for the TEFRA hearing and the fee of bond counsel, will be paid by the Borrower.

COMMUNITY PILLAR

5: A City that Works

GOAL

17: Ensure effective use of public resources

ATTACHMENTS

- [1. Resolution](#)
- [2. Exhibit A - First Supplemental Trust Indenture - Heritage Estates](#)

3. Exhibit B - Heritage Estates - Subordination and Intercreditor Agreement (Bonds - \$800k Loan)
4. Exhibit C - Heritage Estates - Subordination and Intercreditor Agreement (Swap - \$800k Loan)

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Approved by:



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Fiscal Review by:



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