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TO: Onyx Jones, City of Manhattan Beach
FROM: Stradling Yocca Carlson & Rauth LLP
BY: Kevin Civale
RE Request for TEFRA Approval

You have forwarded to us a request (the “Request”) from the developer (the “Developer”) of a senior housing project (the “Project”) to be constructed in the City of Manhattan Beach (the “City”), asking that the City approve the use of tax-exempt bond financing (the “Bonds”) for the Project, and requested that we provide this memorandum providing background on the request. If issued, the Bonds would be issued by California Public Finance Authority, and not the City.

The Request states that the Developer is a Section 501(c)(3) corporation under the Internal Revenue Code of 1986 (the “Code”). The Code provides for the issuance of tax-exempt bonds for the Developer relating to the Project, subject to satisfaction of the requirements of the Code. One of those requirements, which is the subject of the Request, is that the Bonds be approved by the state or local governmental entity whose jurisdiction includes the project (i.e., the City). This approval must follow a public notice and public hearing. The hearing is to allow any interested parties to gain information about the particular project and express their views. An issuer can approve the issue for this purpose regardless of views expressed at the public hearing. We understand that counsel for the Developer has informed the City that the hearing was held, and that no members of the public attended the hearing or otherwise provided comments on the Project or the proposed issuance of the Bonds.

In our experience, municipal issuers in similar circumstances consider granting approval of an issuance of bonds of this type for purposes of the Code a formality. The approval does not mean that the Bonds have to be issued, and the City can approve the issue for this purpose regardless of views expressed at the public hearing. Adoption of the resolution providing for the approval of the issuance of the Bonds would not create any financial or other liability on the part of the City.

We note that the City is under no legal obligation to provide the approval of the Bonds to assist the Developer, and would have also no financial or other liability if the event the City Council declines to adopt the resolution providing for the approval.

Please let me know if you have any questions, or would like to discuss this further.