



Folsom City Council Staff Report

MEETING DATE:	9/28/2021
AGENDA SECTION:	Public Hearing
SUBJECT:	Resolution No. 10709 - A Resolution of the City Council of the City of Folsom Approving the Issuance of the California Municipal Finance Authority Revenue Bonds in an Aggregate Principal Amount not to Exceed \$20,000,000 to Finance a 111-unit Affordable Rental Housing Facility for Low-income and Very Low-income Seniors, for the Benefit of an Entity to be Created by USA Properties Fund, Inc., or an Affiliate, and Other Certain Matters Relating Thereto
FROM:	Community Development Department

RECOMMENDATION / CITY COUNCIL ACTION

Move to adopt Resolution No. 10709 - A Resolution of the City Council of the City of Folsom Approving the Issuance of the California Municipal Finance Authority Revenue Bonds in an Aggregate Principal Amount not to Exceed \$20,000,000 to Finance a 111-unit Affordable Rental Housing Facility for Low-income and Very Low-income Seniors, for the Benefit of an Entity to be Created by USA Properties Fund, Inc., or an Affiliate, and Other Certain Matters Relating Thereto.

BACKGROUND / ISSUE

The Sage at Folsom Apartments (a.k.a. Scholar Senior Apartments) received Planning Commission Planned Development approval on November 18, 2020. The project is a new construction, 100 percent affordable multifamily rental development proposed on the 4.6-acre site located at 75 Scholar Way at the northeast corner of the intersection of East Bidwell Street and Scholar Way within the Broadstone Unit No. 3 Specific Plan Area. The Sage project will consist of 111 (originally 110) one-bedroom units affordable to low-, very-low-, and extremely-low-income senior households. On January 26, 2021, the City Council adopted Resolution No. 10583, approving an affordable housing loan, in the amount up to \$3,500,000, to construct the Sage at Folsom Apartments project. On April 28th Sage at Folsom was

successful in obtaining an allocation of tax-exempt bond cap from California Debt Limit Allocation Committee and reservation of 4 percent low-income housing tax credit and State tax credits from Tax Credit Allocation Committee.

FIGURE 1: SAGE PROJECT SITE AERIAL PHOTOGRAPH



The City Council is being asked to adopt a resolution that would approve the issuance of revenue bonds by the California Municipal Finance Authority ("CMFA"), a joint exercise of powers authority and public entity of the State of California, in an amount not to exceed \$20,000,000, (the "Bonds"), to finance the acquisition, construction, improvement and equipping of a multifamily rental housing project located at the northeast corner of the intersection of East Bidwell Street and Scholar Way, Folsom, California (the "Project"). The City Council previously held a public hearing and approved Resolution No. 10639 related to this Project on June 8, 2021. Following approval of Resolution No. 10639, the Project address changed to 75 Scholar Way (previously 89 Scholar Way) and the unit number increased from 110 units to 111 units. As such, a new TEFRA hearing and adoption of a new resolution that reflects the 75 Scholar Way address and the 111-unit count is necessary.

POLICY / RULE

Section 147(f) of the Internal Revenue Code of 1986 (the "Code") requires that the "applicable elected representatives" of the jurisdiction in which a project is to be financed with "private activity bonds" is situated, adopt a resolution approving the issuance of such "private activity bonds" after holding a public hearing which has been noticed in a newspaper of general circulation in such jurisdiction.

ANALYSIS

USA Properties Fund, Inc. has requested that the CMFA adopt a plan of financing providing for the issuance of exempt facility bonds for a qualified residential rental project pursuant to Section 142(a)(7) of the Internal Revenue Code of 1986 (the "Code") in one or more series in an amount not to exceed \$20,000,000 to finance the acquisition, construction, improvement and equipping of a multifamily rental housing project located at 75 Scholar Way at the Northeast corner of Scholar Way & East Bidwell Street, Folsom, California.

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 300 municipalities, including the City of Folsom, have become members of CMFA.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Folsom must conduct a public hearing under the Tax and Equity Fiscal Responsibility Act ("TEFRA") to allow 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.

It is important to note that holding a public hearing under the Tax and Equity Fiscal Responsibility Act ("TEFRA") does not obligate the City in any way and has nothing to do with potential funds that the City may or may not contribute to the project.

FINANCIAL IMPACT

The Bonds to be issued by the CMFA for the Project will be the sole responsibility of USA Properties, Inc., and the City will have no financial, legal, or 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 USA Properties, Inc.

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 Folsom, it is expected 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.

ENVIRONMENTAL REVIEW

An Initial Study, Mitigated Negative Declaration, and Mitigation Monitoring and Reporting Program for the Project have been previously approved in accordance with the requirements of the California Environmental Quality Act. No additional environmental review is required.

ATTACHMENT

Resolution No. 10709 - A Resolution of the City Council of the City of Folsom Approving the Issuance of the California Municipal Finance Authority Revenue Bonds in an Aggregate Principal Amount not to Exceed \$20,000,000 to Finance a 111-unit Affordable Rental Housing Facility for Low-income and Very Low-income Seniors, for the Benefit of an Entity to be Created by USA Properties Fund, Inc., or an Affiliate, and Other Certain Matters Relating Thereto

Submitted,

A handwritten signature in blue ink, appearing to read "Pam Johns", with a long horizontal flourish extending to the right.

Pam Johns, Community Development Director

RESOLUTION NO. 10709

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FOLSOM
APPROVING THE ISSUANCE OF THE CALIFORNIA MUNICIPAL
FINANCE AUTHORITY REVENUE BONDS IN AN AGGREGATE
PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000 TO FINANCE A
111-UNIT AFFORDABLE RENTAL HOUSING FACILITY FOR LOW-
INCOME AND VERY LOW-INCOME SENIORS, FOR THE BENEFIT OF
AN ENTITY TO BE CREATED BY USA PROPERTIES FUND, INC., OR
AN AFFILIATE, AND CERTAIN OTHER MATTERS RELATING
THERE TO**

WHEREAS, USA Properties Fund, Inc, (the “Sponsor”), on behalf of an entity to be created by the Sponsor or an affiliate of the Sponsor (such entity, the “Borrower”), has requested that the California Municipal Finance Authority (the “Authority”) issue one or more series of revenue bonds in an aggregate principal amount not to exceed \$20,000,000 (the “Bonds”), including but not limited to revenue bonds issued as part of a plan to (1) finance and refinance the acquisition, construction, improvement and equipping of a 111-unit affordable rental housing facility for low-income and very low-income seniors (the “Project”) to be owned and operated by the Borrower and located at 75 Scholar Way within the City of Folsom (the “City”), and (2) pay certain expenses in connection with the issuance of the Bonds; and

WHEREAS, an “applicable elected representative” of a jurisdiction in which the Project is to be located is required to approve the issuance of the Bonds under Section 147(f) of the Code; and

WHEREAS, the City Council of the City (the “City Council”) is the elected legislative body of the City and is an “applicable elected representative” for purposes of Section 147(f) of the Code; 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 Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the “Agreement”), among certain local agencies, including the City; and

WHEREAS, pursuant to Section 147(f) of the Code, the City Council has, following notice duly given, held a public hearing regarding the issuance of the Bonds, and now desires to approve the issuance of the Bonds by the Authority.

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

Section 1. The foregoing recitals are true and correct.

Section 2. This Resolution supersedes and replaces Resolution No. 10639.

Section 3. The City Council hereby approves the issuance of the Bonds by the Authority, including but not limited to Bonds issued as part of a plan to finance and refinance the facilities described herein. It is the purpose and intent of the City Council that this resolution constitute approval of the issuance of the Bonds by the Authority for the Project, for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of a governmental unit having jurisdiction over the area in which the Project is to be located, in accordance with said Section 147(f) and (b) Section 4 of the Agreement.

Section 4. 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 5. The Clerk shall forward a certified copy of this Resolution 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 6. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 28th day of September 2021, by the following roll-call vote:

AYES: Councilmember(s):
NOES: Councilmember(s):
ABSENT: Councilmember(s):
ABSTAIN: Councilmember(s):

Michael D. Kozlowski, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK