



# Folsom City Council Staff Report



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| <b>MEETING DATE:</b>   | 6/8/2021   |
| <b>AGENDA SECTION:</b> | Public Hearing   |
| <b>SUBJECT:</b>        | <b>Resolution No. 10639 - A Resolution of the City Council of the City of Folsom Approving the Issuance of the California Municipal Finance Authority Multifamily Housing Revenue Bonds in an Aggregate Principal Amount not to Exceed \$20,000,000 to Finance a 110-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</b> |
| <b>FROM:</b>           | Community Development Department   |

**RECOMMENDATION / CITY COUNCIL ACTION**

Move to adopt Resolution No. 10639 - A Resolution of the City Council of the City of Folsom Approving the Issuance of the California Municipal Finance Authority Multifamily Housing Revenue Bonds in an Aggregate Principal Amount not to Exceed \$20,000,000 to Finance a 110-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% affordable multifamily rental development and is proposed on the 4.6-acre site located 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 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.

The City Council is being asked to adopt a resolution that would approve the issuance of multifamily housing 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").

### **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 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**

This action to approve the issuance of these bonds by the City Council is exempt from environmental review pursuant to Section 15061(b)(3) (Review for Exemption) of the California Environmental Quality Act. An Initial Study, Mitigated Negative Declaration, and Mitigation Monitoring and Reporting have been prepared in accordance with the requirements of the California Environmental Quality Act.

**ATTACHMENT**

Resolution No. 10639 - A Resolution of the City Council of the City of Folsom Approving the Issuance of the California Municipal Finance Authority Multifamily Housing Revenue Bonds in an Aggregate Principal Amount not to Exceed \$20,000,000 to Finance a 110-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,



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Pam Johns, Community Development Director

**RESOLUTION NO. 10639**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FOLSOM  
APPROVING THE ISSUANCE OF REVENUE BONDS BY THE  
CALIFORNIA MUNICIPAL FINANCE AUTHORITY IN AN  
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000 TO  
FINANCE A 110-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 THERETO**

**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 110-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 89 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.** 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 3.** 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 4.** 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 5.** This resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** this 8th day of June 2021, by the following roll-call vote:

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

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Michael D. Kozlowski, MAYOR

ATTEST:

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Christa Freemantle, CITY CLERK

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