

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: MEGAN BASINGER, DIRECTOR, HOUSING AND COMMUNITY SERVICES  
HOUSING AND COMMUNITY SERVICES  
SUBJECT: TEFRA PUBLIC HEARING AND ISSUANCE OF BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY IN AN AMOUNT NOT TO EXCEED \$20 MILLION FOR ORCHARD COMMONS – 811 BOYD STREET

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Council: 1) conduct a public hearing under the requirements of the Tax Equity and Fiscal Responsibility Act of 1983 and the Internal Revenue Code of 1986, as amended; and 2) by resolution, approve the issuance of tax exempt multifamily housing revenue bonds by the California Municipal Finance Authority in an amount not to exceed \$20 million to finance Orchard Commons, 811 Boyd Street.

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EXECUTIVE SUMMARY

The issuance of tax exempt, private activity bonds must be approved by the jurisdiction the project is located following a public hearing. Santa Rosa Boyd, LP (“Borrower”) has selected the California Municipal Finance Authority (“CMFA”), a joint-powers authority of which the City is a member, to be the issuer of multifamily housing revenue bonds for Orchard Commons, formerly known as Boyd Street Family Apartments, 46 rental units, located at 811 Boyd Street (the “Project”), in an amount not to exceed \$20 million, and has requested that the City Council conduct a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1983 (“TEFRA”). A public hearing is required to provide a reasonable opportunity for interested individuals to express their views, orally or in writing, on the proposed issue of bonds and the location and nature of the proposed project to be financed. All financial obligations of the bond issuance are the responsibility of the Borrower.

BACKGROUND

Orchard Commons will provide 45 very-low and low-income units for households with incomes up to 50% and 60% of Area Median Income. One non-restricted unit is reserved

for the resident manager. The Project is located at 811 Boyd Street, Santa Rosa, CA 95407, APN 037-101-003 (Attachment 1).

The Zoning Administrator approved Resolution No. DR19-013 on August 14, 2019, authorizing design review, density bonus, and an exemption from the California Environmental Quality Act (“CEQA”) for the Project.

The Borrower selected CMFA to issue the bonds and requested that the City Council conduct the TEFRA public hearing in 2020. CMFA is a joint powers agency that promotes economic, cultural and community development, through the financing of economic development and charitable activities, including the issuance of taxable and tax-exempt bonds aimed at improving the standard of living throughout California. The bond proceeds will be used to finance or refinance the acquisition, construction, improvement and equipping of the Project. The City Council approved joining CMFA as an additional member on January 1, 2004. On January 14, 2020, City Council held a public hearing and approved the issuance of tax-exempt bonds to the project in an aggregate amount of \$20 million for the project.

The project was completed on January 10, 2023. The Borrower is now seeking to convert from construction financing to permanent financing and needs access to the bond financing proceeds.

Due to COVID-19 related delays, the project was unable to close on the bond financing within one year of City Council approval required pursuant to tax code Section 147(f) and a new public hearing is required.

#### PRIOR CITY COUNCIL REVIEW

On January 14, 2020, City Council approved the issuance of tax-exempt bonds to the project in an aggregate amount of \$20 million for the acquisition, construction, improvement and equipping of a multifamily rental housing project located at 811 Boyd Street, Santa Rosa, California.

#### ANALYSIS

Orchard Commons has been financed with tax-exempt bonds issued by CMFA, tax credit equity, a first mortgage loan, and loans by the California Department of Housing and Community Development, the Sonoma County Community Development Commission and the Housing Authority of the City of Santa Rosa. The Project was completed on January 10, 2023.

The issuance of tax exempt, private activity bonds must be approved by the jurisdiction the project is located following a public hearing in accordance with Internal Revenue Code requirements. A TEFRA public hearing provides a reasonable opportunity for interested individuals to express their views, orally or in writing, on the proposed issue of bonds and the location and nature of the proposed project to be financed.

Without the approval or the TEFRA public hearing, the project cannot be financed with tax-exempt bonds. On January 14, 2020, City Council held a public hearing and approved the issuance of tax-exempt bonds for the project but due to COVID-19 related delays, the project was unable to close on the bond financing within one year and a new public hearing is required.

### FISCAL IMPACT

Approval of this action does not have a fiscal impact on the General Fund. The bonds and the obligation to pay principal and interest and any redemption premium will not constitute indebtedness or an obligation of the City. The City will not have any obligation to repay the bonds or to acquire, construct, improve, equip or operate the Project.

Financing documents with respect to the issuance of the bonds will contain clear disclaimers that the bonds are not obligations of the City but are to be paid for solely from funds provided by the Borrower. All financial obligations for the bonds and all fees and costs associated with the bonds will be the sole responsibility of the Borrower.

### ENVIRONMENTAL IMPACT

The Zoning Administrator approved Resolution No. DR19-013 on August 14, 2019, determining that the Project is exempt from CEQA pursuant to Section 15183 and Section 15332. Section 15183 pertains to projects which are consistent with the development density established by existing zoning, community plan or general plan policies for which and Environmental Impact Report (“EIR”) was certified, in this case the Roseland Area/Sebastopol Road Specific Plan EIR. Section 15332 is the Class 32 exemption for Infill Development Projects.

### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

### NOTIFICATION

A public hearing notice was published in the Press Democrat on January 18, 2024.

### ATTACHMENTS

- Attachment 1 – Locational Graphic
- Attachment 2 – Request from Danco Communities for the TEFRA public hearing
- Resolution

### PRESENTER

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