



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: MAY 13, 2025

DEPARTMENT: FINANCE DEPARTMENT

FROM: SELINA ANDREWS, FINANCE DIRECTOR

TITLE: CONDUIT FINANCING FOR THE FRANCISCAN / TOWNE & COUNTRY MOBILE HOME PARK

RECOMMENDED MOTION:

A motion to approve a resolution approving the issuance of bonds by the California Municipal Finance Authority, a joint exercise of powers authority and public entity of the State of California (“CMFA”) for the benefit of one or more California limited liability companies (“LLCs”), whose sole member is or will be Caritas Affordable Housing, Inc. (the “Corporation” and, together with the LLCs, the “Borrower”), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), to provide for the financing of the Project (the acquisition and improvement of apartment complexes and mobile home parks), such adoption is solely for the purposes of satisfying the requirements of TEFRA, the Code and the California Government Code Section 6500 (and following).

EXECUTIVE SUMMARY:

Federal tax law requires a financing authority who is funding a project in a local jurisdiction that has its own tax-exempt authority, the local entity must hold a Tax and Equity Fiscal Responsibility (TEFRA) hearing. This allows the local community to comment on the use of tax-exempt financing to support the project. There is no financial liability on the City's part. This is the only action required of the City. CMFA will approve the financing documents and sell the bonds in the future, as applicable.

Specifically, the City must conduct a public hearing under the Tax and Equity Fiscal Responsibility Act (“TEFRA”) and the Internal Revenue Code of 1986, as amended (the “Code”) on May 13, 2025, in connection with the proposed issuance of revenue bonds by CMFA, in an amount not to exceed \$87,000,000, (the “Bonds”).

BACKGROUND:

The Borrower requested that CMFA issue the Bonds, the proceeds to be used for: (a) pay costs of the 2025 New Money Project (as defined below); (b) refinance all or a portion of two outstanding loans which were issued to finance and refinance all or a portion of the Prior Project (as defined below, and as referred to herein collectively with the 2025 New Money Project, the “Project”);

(c) make a deposit to a debt service reserve fund for the Bonds, if any; (d) pay a portion of the interest on the Bonds; and (e) pay of costs of issuance with respect to the Bonds.

The term “2025 New Money Project” means all or a portion of the costs of the acquisition, construction, and improvement of property located: (a) 511 East Washington Avenue, Santa Ana, California 92701 (the “Santa Ana Apartment Project”); (b) 518 East Pine Street, Santa Ana, California 92701 (the “Park Midrise Apartment Project”); and (c) 20 Russell Road, Salinas, California 93906 (the “California Hawaiian Project”).

The term “Prior Project” means all or a portion of the costs of the acquisition and improvement of: (a) a 161-space mobile home park known as Franciscan Estates, located at 2317 South Chestnut Avenue, Fresno, California 93725 (the “Franciscan Project”); (b) a 73-space mobile home park known as Town & Country Mobile Estates, located at 2373 South Chestnut Avenue, Fresno, California 93725 (the “Town & Country Project”), and (c) a 120-space mobile home park known as Rancho Del Arroyo, located at 2700 Cienega Street, Oceano, California 93445 (the “Rancho Del Arroyo Project”).

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Salinas must conduct a public hearing (the “TEFRA Hearing”) providing for 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. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA Hearing, an “applicable elected representative” of the governmental unit hosting the Project must provide its approval of the issuance of the Bonds for the financing of the Project.

A TEFRA hearing will be held in each of the municipalities mentioned above in which the project sites are located. The Site that pertains to the City is the California Hawaiian Project.

California Municipal Finance Authority

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 350 municipalities, including the City of Salinas, have become members of CMFA.

CMFA was formed to assist local governments, non-profit organizations and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA’s representatives and its Board of Directors have considerable experience in bond financings.

Fiscal Impact

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

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, 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 was to be used for any lawful purpose of the City.

CEQA CONSIDERATION:

Not a Project. The City has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

No.

STRATEGIC PLAN INITIATIVE:

Conducting a public hearing under the requirements of TEFRA upholds the Council Goal of Effective and Culturally Responsive Government.

DEPARTMENTAL COORDINATION:

This staff report was coordinated with the City Attorney’s Office and Administration.

FISCAL AND SUSTAINABILITY IMPACT:

There is no fiscal impact associated with this item.

Fund	Appropriation	Appropriation Name	Total Appropriation	Amount for recommendation	FY 24-25 Operating Budget Page	Last Budget Action (Date, Resolution)
n/a	n/a	n/a	n/a	n/a	n/a	n/a

ATTACHMENTS:

Resolution