

COUNCIL AGENDA REPORT

TO: Mayor and City Council

FROM: Rebecca Campbell, Director of Finance

DATE: May 5, 2026

SUBJECT: Tax and Equity Fiscal Responsibility Act (TEFRA) Hearing Regarding the Perlman Apartments and Adoption of a Resolution Approving Issuance of Bonds

Description:

The City Council will consider adopting a Resolution at a public hearing as required by the Tax and Equity Fiscal Responsibility Act and the Internal Revenue Code of 1986, as amended.

Environmental Notice: The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

RECOMMENDATION:

1. Conduct a public hearing under the requirements of the Tax and Equity Fiscal Responsibility Act (TEFRA) and the Internal Revenue Code of 1986, as amended; and
2. Adopt a Resolution approving the issuance of the California Municipal Finance Authority exempt facility bonds in an aggregate principal amount not to exceed \$35,000,000 for the purpose of financing or refinancing the acquisition, construction, improvement and equipping of the Perlman Project and certain other matters relating thereto.

BACKGROUND:

Danco Communities requested that the California Municipal Finance Authority (CMFA) serve as the municipal issuer of the Bonds in an aggregate principal amount not to exceed \$35,000,000 (the "Bonds") of tax-exempt revenue bonds. The proceeds of the Bonds will be used to: (1) finance or refinance the acquisition, construction, improvement and equipping of The Perlman, a multifamily rental housing project located at 100 North Broadway, Santa Maria, California; and (2) pay certain expenses incurred in connection with the issuance of the Bonds.

In order for the Bonds to qualify as tax-exempt bonds, the City of Santa Maria 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.

California Municipal Finance Authority

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 350 municipalities have become members of CMFA.

The 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.

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 Bonds of the City or the State of California but are to be paid for solely from funds provided by the Borrower.

Participation by the City in the CMFA will not impact the City’s appropriations limits and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA hearing, adopting the required resolution, no other participation or activity of the City or the City Council with respect to the issuance of the Bonds will be required.

Fiscal Considerations

There is no direct or indirect financial impact to the City as a result of this proposed financing. The CMFA will issue tax-exempt bonds on behalf of the Project. The tax-exempt bonds are payable solely out of the revenues derived by the Borrower from the applicable project. No financial obligations are placed on the City for project financing costs or debt repayment.

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 Santa Maria, 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.

Impact on the Community

Approving the issuance of the tax-exempt bonds benefits the community by creating 150 units of affordable housing.

ATTACHMENT(S):

A – Resolution

B – Public Notice