

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (A) AUTHORIZING EXCEPTIONS TO THE CITY COUNCIL MULTIFAMILY HOUSING REVENUE BOND POLICY, COUNCIL POLICY 1-16, FOR THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS DUE TO SPECIAL CIRCUMSTANCES, THEREBY ALLOWING THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY TO ISSUE BONDS FOR THE FOLLOWING DEVELOPMENTS: (1) PASEO SENTER I, LOCATED AT 1898 SENTER ROAD; (2) MORELAND APARTMENTS, LOCATED AT 4375 PAYNE AVENUE; AND (3) EDEN PALMS APARTMENTS, LOCATED AT 5398 MONTEREY ROAD; AND (B) AUTHORIZING THE DIRECTOR OF FINANCE TO HOLD TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1986 PUBLIC HEARINGS FOR PASEO SENTER I, MORELAND APARTMENTS, AND EDEN PALMS APARTMENTS UPON THE RECEIPT OF CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE DEBT ALLOCATIONS AND THE CALIFORNIA MUNICIPAL FINANCE AGENCY'S RECYCLED BOND ALLOCATIONS**

**WHEREAS**, the City of San José ("City") adopted a policy for the issuance of Multifamily Housing Revenue bonds in 2002 ("Council Policy 1-16") stating the parameters for when the City will serve as the bond issuer for affordable housing developments; and

**WHEREAS**, Council Policy 1-16 states that the City shall be the issuer of all bonds financing multifamily housing rental projects within the City, with specified exceptions; and

**WHEREAS**, one of these exceptions allows an alternate issuer to issue bonds for affordable housing within the City when there are "special circumstances" merited by the circumstances of the project and the financing, in which case, the City will not be the issuer of bonds for the project; and

**WHEREAS**, the City Council Policy 1-16 requires the alternate issuer to assume full responsibility for issuance and ongoing compliance of the bond issue with federal tax and state laws; and

**WHEREAS**, due to special circumstances, as described in the Memorandum from Housing and Finance Departments dated January 6, 2025, ("Memorandum"), staff recommended an exception to the City Council Policy 1-16 for the following affordable housing developments: Paseo Senter I, Moreland Apartments, and Eden Palms Apartments which approval will result in the renovation of 422 affordable housing apartments for our community; and

**WHEREAS**, California Municipal Finance Authority ("CMFA") established a Tax-Exempt Multifamily Housing Bond Recycling Program in 2021, which has helped facilitate the financing of additional affordable rental housing in the State of California without obtaining new private activity bond volume cap; and

**WHEREAS**, recycled bond volume cap becomes available when borrowers prepay construction bonds that previously received tax-exempt private activity bond volume cap; and

**WHEREAS**, Paseo Senter I, Moreland Apartments, and Eden Palms Apartments are seeking to apply for recycled bonds to be more competitive in their respective California Debt Limit Allocation Committee ("CDLAC") applications which allows for additional points for leveraged soft resources; and

**WHEREAS**, the City does not have a program to issue recycled bonds; and

**WHEREAS**, the City Council Policy 1-16 was implemented, in part, to protect the City's subordinate debt and the City does not have any subordinate funding in connection with Moreland Apartments or Eden Palms Apartments; and

**WHEREAS**, the City has an existing subordinate funding with Paseo Senter I in a current outstanding principal balance of \$6,932,630, which Core Affordable Housing, LLC ("Core") intends to retain this loan to term; and

**WHEREAS**, on December 21, 2005, the City entered into an agreement with U.S. Bank National (US Bank) to issue bonds in a par amount of up to \$6,142,200 for Series 2005B-1 and up to \$23,805,400 for Series 2005B-2 for a total amount \$29,947,600 as part of the resyndication of Paseo Senter I; and

**WHEREAS**, over the years, through conversion and monthly amortization, most of the bonds were paid off and the outstanding bond as June 30, 2024, was the Series 2005B-1 in an amount of \$3,573,423; and

**WHEREAS**, Core is seeking to resyndicate the development and applied for the August 27, 2024 CDLAC application round, requesting a total of \$21,900,000 in tax-exempt bonds supplemented by \$4,300,000 in recycled bonds through CMFA and received an allocation of tax-exempt bonds at the CDLAC meeting on December 11, 2024; and

**WHEREAS**, upon bond issuance for resyndication, the outstanding City bonds Series 2005B-1 will be redeemed; and

**WHEREAS**, CMFA will be the issuer of bonds for Paseo Senter I, Moreland Apartments, and Eden Palms, and the City will hold the Tax Equity and Fiscal Responsibility Act of 1986 hearings ("TEFRA hearings") for the CMFA issuances; and

**WHEREAS**, approval of the recommended exception to the Council Policy 1-16 will enable the above listed projects to move forward with CMFA as their alternate bond issuer and their current financing plan as set forth in the Memorandum; and

**WHEREAS**, for the resyndication developments awarded by CDLAC, the City's Housing Department intends to reserve the right to request that the City be named as an administrator and party to the bond regulatory agreement to give the City a larger monitoring role than is common on conventional CMFA bond issuance and, if named as an administrator, the City's Housing Department staff will conduct building inspections, ongoing compliance monitoring, and annual Fair Housing reviews; and

**WHEREAS**, Section 5.06.430 of Chapter 5.06 of the San José Municipal Code provides that the Director of Finance is authorized to hold TEFRA public hearings on the City's proposed issuance of tax-exempt bonds to finance affordable housing projects on an as-needed basis and in accordance with notice and other requirements established by the Internal Revenue Code of 1986, as amended, including any Internal Revenue Regulations, as amended ("IRS Code") and that the Director of Finance shall process certificates of compliance executed by the Mayor in connection with those hearings, in accordance with the IRS Code; and

**WHEREAS**, in the Memorandum, staff has also requested that Council authorize the Director of Finance or his or her designee to hold the TEFRA hearings in accordance with the procedures found in Section 5.06.430 of Chapter 5.06 of the San Jose Municipal Code in order to streamline the TEFRA procedure for the above listed projects;

**NOW, THEREFORE**, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

(a) Exceptions to the City Council's Multifamily Housing Revenue Bond Policy 1-16 for the issuance of Multifamily Housing Revenue Bonds, is hereby authorized due to special circumstances, thereby allowing the California Municipal Finance Authority to issue the bonds for the following developments, as set forth in the memorandum from the Directors of Housing and Finance Departments dated as January 6, 2025:

- (1) Paseo Senter I, located at 1898 Senter Road
- (2) Moreland Apartments, located at 4375 Payne Avenue; and;
- (3) Eden Palms Apartments, located at 5398 Monterey Road;

(b) The Director of Finance is hereby authorized to hold the Tax Equity and Fiscal Responsibility Act of 1986 hearings for the above listed projects upon the receipt of California Debt Limit Allocation Committee approval and debt allocations and conduct such related procedures in accordance with Section 5.06.430 of Chapter 5.06 of the San José Municipal Code.

ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2025, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

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MATT MAHAN  
Mayor

ATTEST:

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TONI J. TABER, CMC  
City Clerk