



## City Council Agenda Item Staff Report

CITY OF SAN BRUNO

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**DATE:** April 11, 2023

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Jovan D. Grogan, City Manager

**PREPARED BY:** Peter Gilli, Community and Economic Development Director

**SUBJECT:** Consider Adoption of a Resolution Approving, Authorizing and Directing Execution of a Joint Exercise of Powers Agreement Related to the California Municipal Finance Authority and Approving the Issuance of Exempt Facility Bonds for a Qualified Housing Project at 732 – 740 El Camino Real by the Authority for the Purpose of Financing or Refinancing the Acquisition, Construction and Improvement of Certain Facilities for the Benefit of San Bruno Pacific Associates, a California Limited Partnership

### **BACKGROUND:**

#### **Development Project**

On March 10, 2022, the City of San Bruno received an application for a development project at 732 – 740 El Camino Real for the development of a six-story, 134-unit residential building on a 0.6-acre site with 25 off-street parking spaces on the ground level. The project will provide 40 affordable units, consisting of seven very low-income units, 26 low-income units, and seven moderate-income units. The application was submitted pursuant to Senate Bill 35, codified in state Government Code 65913.4, which limits review of projects to only objective standards in the zoning, specific plan or general plan and requires ministerial approval without a public hearing. In this case, the project was reviewed by staff and, as required by state law, approved on June 10, 2022, with an amended approval issued by staff on December 19, 2022. The project utilizes state density bonus law and other state laws which provide relief from development standards and requirements. For this project, relief from building height, parking and other standards was requested and granted. The applicant has submitted building permit plans and is seeking to receive an approved building permit in May 2023.

#### **Housing Element**

The approved 732 – 740 El Camino Real project was included as a “pipeline project” in the 2023 Housing Element. This reduced the number of housing sites the City needed to identify to meet the City’s Regional Housing Needs Allocation of 3,165 units for the 2003-2031 Housing Element cycle.

#### **Developer Financing**

San Bruno Pacific Associates, the developer of the project, has requested that the California Municipal Finance Authority (CMFA) issue a \$60,000,000 exempt facility bonds for the development of the 732 - 740 El Camino Real project. In order for these bonds to be issued, the City of San Bruno must enter into a Joint Powers Agreement (JPA) with the CMFA, and conduct

a public hearing pursuant to 26 CFR § 1.147(f)-1 and approve CMFA's issuance of the bonds for the project at 732-740 El Camino Real.

## **DISCUSSION:**

### **Joining the CMFA**

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.

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. To date, over 350 municipalities have become members of CMFA, including Belmont, Daly City, Menlo Park, Redwood City, San Mateo, South San Francisco and San Mateo County.

For the CMFA to have the authority to serve as the issuer of the bonds for the Project, it is necessary for the City of San Bruno or County of San Mateo to become a member of the CMFA, and to provide "host approval" of the bond issuance. Under Federal law, the City or County is considered a host approver of the bond as the project is within the geographic boundaries of the jurisdiction.

A copy of the Joint Exercise of Powers Agreement with CMFA is attached to the resolution.

If the City Council approves the issuance of the bonds, the bonds would be issued by the CMFA, and as such 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 the borrower.

There are no costs associated with membership in the CMFA and the City will in no way become exposed to any financial liability by reason of its membership in the CMFA. In addition, 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.

The Joint Exercise of Powers Agreement expressly provides that any member may withdraw from such agreement upon written notice to the Board of Directors of the CMFA.

### **Public Hearing**

Subject to Federal law (26 CFR § 1.147(f)-1), the City must hold a public hearing and provide "host approval" for the issuance of the exempt facility bonds by CMFA. The hearing allows members of the public an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project. This public hearing is not for comment on the Project in general, as the project is already received the ministerial planning approval.

**FISCAL IMPACT:**

There is no direct fiscal impact from this action, as there is no financial obligation to the City to be a member of the CMFA.

**ENVIRONMENTAL IMPACT:**

City Council's action is not considered a "Project" per the California Environmental Quality Act (CEQA) Guidelines and therefore no further environmental analysis is required.

**RECOMMENDATION:**

The recommendation is to conduct the public hearing and adopt a resolution for the City of San Bruno to become a member of the CMFA and approve CMFA's issuance of \$60,000,000 in exempt facilities bonds for the 732-740 El Camino Real project.

**ALTERNATIVES:**

If the City chooses not to become a member of the CMFA the developer would need to seek alternate funding for the project.

**ATTACHMENTS:**

1. Resolution with Exhibit A: CMFA Joint Powers Agreement