Agenda Report

Fullerton City Council

MEETING DATE: **AUGUST 18, 2026**

TO: **CITY COUNCIL / SUCCESSOR AGENCY**

SUBMITTED BY: **SUNAYANA THOMAS, DIRECTOR OF COMMUNITY AND ECONMIC DEVELOPMENT**

PREPARED BY: **DANIEL VALDEZ, HOUSING MANAGER**

SUBJECT: **TAX EXEMPT BONDS ISSUANCE BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR MAGNOLIA RIDGE**

SUMMARY

The California Municipal Finance Authority (CMFA) has received an application to issue up to $15,705,000 in tax-exempt qualified 501(c)(3) revenue bonds to finance the acquisition and rehabilitation of Magnolia Ridge, a 48-space manufactured housing community at 2616 West Orangethorpe Avenue. Federal law requires approval by the City Council under Section 147(f) of the Internal Revenue Code before the tax-exempt bonds may be issued. Council approval would be limited to the financing action and would not approve the acquisition, land use entitlements, construction, zoning or any City financial contribution.

PROPOSED MOTION

1. Adopt Resolution No. 2026-XXX.

   RESOLUTION NO. 2026-XXX – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, APPROVING, SUBJECT TO THE TERMS AND CONDITIONS HEREIN SET FORTH, THE ISSUANCE BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY OF ONE OR MORE SERIES OF TAXABLE MOBILE HOME PARK REVENUE BONDS AND / OR TAX-EXEMPT MOBILE HOME PARK REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $15,705,000, WHICH WILL FINANCE MAGNOLIA RIDGE, A MOBILE HOME PARK LOCATED IN THE CITY OF FULLERTON

2. Authorize the City Manager, or designee, to execute and administer all documents and actions necessary to implement the resolution.

ALTERNATIVE OPTIONS

1. Approve the Proposed Motion
2. Decline to adopt the resolution. Without the required local approval, CMFA would not be able to issue the proposed tax-exempt bonds for this financing structure, and the applicant would need to pursue an alternative financing approach.
3. Other options brought by City Council.

STAFF RECOMMENDATION

No staff recommendation. This matter is presented for City Council consideration.

CITY MANAGER REMARKS

None.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement:

- Infrastructure and City Assets.

FISCAL IMPACT

The proposed bond issuance would not create a debt, liability, financial obligation or repayment responsibility for the City. The bonds would be issued by CMFA and repaid by the borrower from project revenues. The City's General Fund, taxing authority, credit and assets would not be pledged toward repayment of the bonds.

Approval of the Tax Equity and Fiscal Responsibility Act (TEFRA) financing itself does not create or grant a property tax exemption. If the acquisition is completed and the property subsequently qualifies for a welfare exemption under California law, property tax revenue could change based on the extent of the exemption ultimately approved.

The applicant estimates that the City's annual share of property tax revenue could decrease by approximately $1,800 under its proposed ownership structure. This estimate was prepared by the applicant and has not been independently determined by the City. The actual property tax treatment and resulting fiscal impact would be determined through the applicable property tax assessment and exemption processes.

BACKGROUND AND DISCUSSION

CMFA has received an application from Augusta Communities II LLC for the issuance of tax-exempt qualified 501(c)(3) revenue bonds in an amount not to exceed $15,705,000 to finance the acquisition and rehabilitation of Magnolia Ridge, a 48-space manufactured housing community located at 2616 West Orangethorpe Avenue. The proposed amount represents the maximum bond authorization; the final amount would be determined as part of the financing process.

Under Section 147(f) of the Internal Revenue Code, certain tax-exempt private activity bonds require approval by the applicable elected representative of the jurisdiction in which the project is located. A public hearing regarding the proposed financing was conducted through CMFA, and no public comments were reported. City Council approval of the proposed resolution would satisfy the local approval requirement necessary for CMFA to proceed with the proposed tax-exempt financing.

The bonds would be conduit revenue bonds issued by CMFA and repaid by the borrower from project revenues. The City would not issue or repay the bonds, pledge City funds or assets, guarantee repayment or assume financial responsibility for the debt. Approval of the resolution would not constitute approval of the property acquisition, any land use entitlement, permit, construction activity, zoning action or property tax exemption.

Magnolia Ridge is an existing 48-space manufactured housing community that is currently fully occupied. Residents own their manufactured homes and lease the underlying spaces. According to the applicant, the proposed acquisition is intended to preserve the community as affordable manufactured housing and provide funding for property improvements. The applicant proposes to restrict approximately 65 percent of the spaces for qualifying lower-income households.

AMI Restriction	**Share of Spaces**	**Approx. Spaces**
Very Low Income – 50% of Area Median Income	20%	10
Low Income – 80% of Area Median Income	45%	21
Total Restricted Spaces	**65%**	**31**

The applicant anticipates approximately $50,000 in property improvements during the first year following acquisition and approximately $350,000 in additional improvements over the following five years, subject to financing availability and property needs. Improvements may include repairs or upgrades to water, sewer, electrical and gas infrastructure, roadway maintenance, clubhouse improvements, fencing and wall repairs and security-related improvements.

The property is under contract for a reported purchase price of approximately $13.75 million. An appraisal prepared for the financing estimated the property's market value at approximately $13.8 million.

Approval of the TEFRA resolution would not affect the City's Regional Housing Needs Allocation (RHNA) allocation or previously credited RHNA units, and staff does not anticipate that the acquisition itself would generate additional RHNA credit because it involves preservation of existing housing rather than construction of new units. The proposed transaction would; however, result in recorded affordability restrictions on a portion of the existing community if the acquisition and financing are completed.

The action before City Council is limited to whether to provide the local approval required for CMFA to issue the proposed tax-exempt financing. The City is not selecting the purchaser, providing a City loan or subsidy, granting property tax exemption or assuming responsibility for the financing. If City Council declines to approve the resolution, CMFA would not be able to issue the proposed tax-exempt bonds under the current financing structure, and the applicant would need to pursue an alternative financing approach.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – Draft Resolution
- Attachment 3 – Joint Exercise of Powers Agreement
- Attachment 4 – Magnolia Ridge Affordability Covenants

cc: City Manager Eddie Manfro