Agenda Report

Fullerton City Council

MEETING DATE: **JULY 21, 2026**

TO: **CITY COUNCIL / SUCCESSOR AGENCY**

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

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

SUBJECT: **TAX-EXEMPT BONDS ISSUANCE BY THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY FOR UCE AND UCA APARTMENTS** ***(continued from June 16, 2026 meeting)***

SUMMARY

Consideration of a Tax Equity and Fiscal Responsibility Act (TEFRA) Resolution authorizing the California Statewide Communities Development Authority to issue tax-exempt bonds not to exceed $180,000,000 to finance or refinance UCE Apartment Homes and UCA Apartment Homes acquisition and rehabilitation.

PROPOSED MOTION

1. Adopt Resolution No. 2026-XXX.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, APPROVING THE ISSUANCE OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY QUALIFIED 501(C)(3) BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $180,000,000 FOR THE PURPOSE OF FINANCING OR REFINANCING THE ACQUISITION, REHABILITATION, IMPROVEMENT AND EQUIPPING OF UCE APARTMENT HOMES AND UCA APARTMENT HOMES AND CERTAIN OTHER MATTERS RELATING THERETO

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

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Decline to adopt the resolution

- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

None.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement:

- Infrastructure and City Assets.

FISCAL IMPACT

The TEFRA Resolution would not create a direct fiscal impact nor financial obligation to the City. The bonds are limited obligations of CSCDA and repaid solely by the borrower from project revenues. Neither the City General Fund, taxing authority, credit nor City assets will be pledged toward bond repayment.

Issuing bonds under TEFRA is a federal procedural requirement and does not create or confer any tax benefit. Any future change in property tax liability would occur only if the a qualifying nonprofit entity acquired the property and independently applied for and receives a property tax exemption under California law, as determined solely by the Orange County Assessor.

DISCUSSION

UCE Apartment Homes is a 147-unit garden-style multifamily community located at 600 Langsdorf Drive adjacent to California State University, Fullerton built in 1974 on approximately 3.7 acres. The property consists of one- and two-bedroom units and includes a clubhouse, fitness center, pool area, business and media rooms, recreational amenities, laundry facilities and surface parking

UCA Apartment Homes is a 248-unit garden-style multifamily community located at 2404 Nutwood Avenue adjacent to California State University, Fullerton built in 1975 on approximately 6.5 acres. The property consists of one- and two-bedroom units and includes a clubhouse, business center, fitness room, pool and spa area, dog run landscaped grounds and surface parking.

The two communities comprise 395 units. The applicant states neither UCE Apartment Homes nor UCA Apartment Homes is subject to affordability restrictions.

The Borrower

The borrower entities are Foothill UCE, LLC and Foothill UCA, LLC (collectively, the “Borrower”), each an organization described in Section 501(c)(3) of the Internal Revenue Code and sponsored by Foothill Affordable Housing Foundation, which would own and operate the properties on a long-term basis. The Borrower is working to place the properties under contract. TEFRA approval is a standard procedural step proceeding closing and the bonds and issued only when acquisition closes.

Bond proceeds would finance or refinance property acquisition, rehabilitation, improvement and equipping. The financing would allocated up to $70,000,000 for UCE and up to $110,000,000 for UCA, not to exceed total $180,000,000.

City Role in the Request

Conduit bond requests of this kind generally take one of two forms: the City acts as the issuer or a participating party in the financing or a statewide joint powers authority issues the bonds and the City only provides the local approval that federal tax law requires as is the case with this request. The California Statewide Communities Development Authority (CSCDA) is the issuer and responsible for bonds and all financing documents. The City is not the issuer, not a financial participant and bears no liability. The City solely provides approval required under Internal Revenue Code Section 147(f) so the bonds qualify as tax-exempt. The value of that tax-exempt status enables the Borrower to commit to the long-term affordability restrictions.

Financing Structure

One of two structures commonly finance affordable housing acquisitions of this type. The first pairs tax-exempt private-activity bonds with federal Low-Income Housing Tax Credits (LIHTC), allocated competitively through the California Debt Limit Allocation Committee and the California Tax Credit Allocation Committee and raise equity from private investors and carry state-administered compliance monitoring. The second, used here, is qualified 501(c)(3) bond financing under Internal Revenue Code Section 145 allowing a nonprofit borrower to finance acquisition and rehabilitation directly. This project does not use Low-Income Housing Tax Credits.

TEFRA Procedural Requirements

The Tax Equity and Fiscal Responsibility Act of 1982 requires the elected legislative body of the jurisdiction where a project is located to conduct a public hearing and approve tax-exempt private activity bond issuance prior to issuance. The TEFRA process provides an opportunity for public input regarding the proposed financing and serves as a prerequisite to the issuong tax-exempt bonds. Section 147(f) permits CSCDA to conduct the public hearing on the City’s behalf. CSCDA published notice in the Orange County Register on May 28, 2026, at least seven days in advance, and the held the hearing telephonically on June 4, 2026. No members of the public appeared and CSCDA received no submitted comments. City Council must now provide Section 147(f) approval to move this project forward.

Historical Precedent

The City previously participated in conduit financing programs designed to facilitate public-benefit projects, including affordable housing developments. The City approved participation in the California Municipal Finance Authority (CMFA), a joint powers authority established to issue conduit financing to projects serving public purposes in 2012.

The City approved past TEFRA actions for affordable housing developments, including Ventana Apartments where the City simply satisfied federal tax law requirements necessary to issue tax-exempt bonds. Appring the proposed TEFRA resolution would not pledge City credit, taxing authority or financial resources nor would it create any financial obligation for the City, as with previous conduit financing transactions,.

Responses to City Council Inquiries

City Council requested confirmation on three matters and raised questions regarding the financing structure and the effect on market-rate owners at the June 16, 2026 meeting. The following address those inquires.

1. Affordability Levels

Neither UCE nor UCA is subject to affordability restrictions. Both operate as market-rate communities. The Borrower would record a 55-year regulatory agreement restricting the units in connection with the financing, as follows:

AMI Restriction	Share of Units	Approximate Units
No more than 60% of Area Median Income	40%	158
No more than 80% of Area Median Income	60%	237
Total restricted units	100%	395

The financing would adds new affordability restrictions rather than modifying existing ones, securing income limits and tenant protections for 55 years and preserving the properties as long-term affordable housing.

2. Regional Housing Needs Allocation (RHNA) and Housing Element

Approval of the TEFRA resolution would have no impact on the City RHNA allocation or on previously credited RHNA units. Staff does not anticipate the transaction would generate new RHNA credit, as it acquires existing housing rather than new construction. The project does, however, advance City affordable housing goals by converting 395 market-rate units into income-restricted affordable housing for lower-income households.

3. Property Taxes

Approving of the TEFRA resolution does not, by itself, grant a property tax exemption, change the assessed value of either property or otherwise affect the property tax roll. Issuing of tax-exempt bonds is a federal procedural step that confers no state or local tax benefit on its own. However, it does enable transactions expected to reduce property tax revenue over time because the properties would become nonprofit-owned and income-restricted. The Borrower would then qualify to apply to the Orange County Assessor for the California Welfare Exemption, administered separately by the County and evaluated based on statutory eligibility criteria, including tenant income restrictions and property use requirements. It would remove some or all assessed value from the tax roll if granted by the County,.

City action neither obligates the City financially nor determines future property tax treatment.

4. Financing Structure and Effect on Market-Rate Owners

City Council asked how this financing compares to tax credit transactions and whether it disadvantages private, market-rate owners. This is a qualified 501(c)(3) bond transaction and does not involve Low-Income Housing Tax Credits.

The tax-exempt financing, and any welfare exemption later granted by the County, are available under state and federal law to projects that accept enforceable affordability restrictions. They are not a discretionary subsidy provided by City funds. A private owner retains property free of rent or income restrictions and at market rents, whereas the nonprofit Borrower assumes a 55-year obligation to limit rents and serve lower income households and the tax benefits are conditioned on that obligation. The practical effect removes the property from market-rate use and, if the exemption is granted, from a portion of the tax roll, in exchange for long-term affordability.

These affordability requirements would preserve the properties as long term affordable housing assets, provide protection against future displacements and expand affordable housing opportunities by 395 units for lower income households while maintaining existing multifamily housing inventory within the City. The proposed action is consistent with historical City practice of supporting financing mechanisms that facilitate affordable housing development and preservation while leveraging private investment and maintaining the long-standing policy of avoiding financial liability for conduit debt obligations.

<u>Attachments:</u>

- Attachment 1– PowerPoint Presentation
- Attachment 2 – Draft City Council Resolution No. XXX

cc: City Manager Eddie Manfro