



DATE: April 7, 2025

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Sarah Wolf, Management Analyst I
Karen Shimizu, Assistant Director of Community Development

SUBJECT: Conduct a Public Hearing and Approve a Resolution Approving the Issuance of Revenue Bonds by the California Municipal Finance Authority (CMFA) in an Aggregate Principal Amount Not to Exceed \$65,000,000 to Finance an Affordable Rental Housing Facility for the Benefit of Danco Communities for the Meridian at Petaluma North Station Project, located and 890 North McDowell Blvd., and Certain Other Matters Relating Thereto and Finding that this Item is not a "Project" Pursuant to CEQA Guidelines.

RECOMMENDATION

It is recommended that the City Council conduct a Public Hearing under the requirements of Tax Equity and Fiscal Responsibility Act (TEFRA) and the Internal Revenue Code of 1986, as amended (the "Code") and adopt the Resolution approving the issuance of the Bonds by the CMFA for the benefit of Danco Communities (the "Borrower"), to provide for the Financing the Acquisition and Construction of an Affordable Multifamily Rental Housing Project, Meridian at Petaluma North Station, located at 890 North McDowell Blvd. While there are no funds or obligation from the city for this action, it requires that City Council approve the bond issuance for projects within its jurisdiction. Such adoption satisfies the requirements of TEFRA, the Code and the California Government Code.

BACKGROUND

The Meridian at Petaluma Station North is a 100% affordable housing development designed to foster community and promote healthy, energy-efficient living. It serves households earning between 30% and 60% of the Area Median Income (AMI). The project includes a total of 131 units, 33 of which will be reserved for individuals experiencing homelessness. The development offers thirty-three studio apartments, twenty-nine one-bedroom apartments, thirty-nine two-bedroom apartments, and thirty-three three-bedroom apartments. Each apartment is equipped with modern, energy-efficient appliances, wall-mounted heat pumps, air conditioning, and low-toxicity finishes to promote healthy indoor environments. The design of the site centers around a large, landscaped green space that encourages walkability, recreation, and community

connection, while reducing exposure to nearby noise and traffic. Project amenities include a gym, community room, computer lab, basketball half-court, tot lot, teen recreation area, and a community garden. The development will feature on-site management, resident services, and convenient access to transit, grocery stores, and healthcare services within 1.5 miles.

The project has received all necessary approvals and is in the final stages of obtaining a building permit. The developer plans to close the construction loan around June 15, 2025, and construction is set to begin in early July 2025. Additional project details can be found on the project page at <https://cityofpetaluma.org/meridian-at-petaluma-north-station/>.

DISCUSSION

To support affordable housing, staff recommends that the City conduct the required TEFRA hearing and consider adopting the attached resolution approving the issuance of bonds by the California Municipal Finance Authority (CMFA).

To satisfy the public approval requirements and facilitate the bond financing for the Meridian at Petaluma Station North project, located at 890 North McDowell Blvd, Petaluma, the City of Petaluma must hold a public TEFRA hearing to allow for public comment on the use of tax-exempt bonds. The borrower has requested that the California Municipal Finance Authority (CMFA), a Joint Powers Authority (JPA), of which the City of Petaluma is a member, issue up to \$65 million in tax-exempt revenue bonds to finance or refinance the acquisition, construction, and equipping of the project at 890 North McDowell Blvd.

The bonds will be issued solely by CMFA, with no financial or legal obligation to the City of Petaluma. All financing documents will clearly state that neither the City nor the State has any responsibility for repayment. As a benefit of CMFA membership, a portion of the issuance fee, in the amount of \$17,469, will be granted to the City's general fund for any lawful use

PUBLIC OUTREACH

To comply with the regulations set forth in Government Code and TEFRA, a 7-day public notice for the TEFRA hearing was published in the Argus Courier on March 28, 2025.

COUNCIL GOAL ALIGNMENT

The proposed council item for the Meridian at Petaluma Station North project aligns with the City Council's goal of "A Safe Community That Thrives," which supports facilities and design programs that promote a healthy, resilient, and engaged community that is prepared, safe, and housed. This project is also consistent with the City of Petaluma's 2020-2024 Consolidated Plan, particularly its goals to:

- Provide housing and services to low-income populations, including, but not limited to, children, seniors, and individuals with special needs.

Additionally, the proposed project supports the City of Petaluma's 2023-2031 Certified Housing Element.

CLIMATE ACTION/SUSTAINABILITY EFFORTS

The project is aligned with the City's All-Electric Construction Ordinance 2835 N.C.S., which mandates that all new buildings utilize electricity as the sole source of energy. This development also supports Petaluma's climate action goals in several ways:

- **All-Electric Design:** The project is designed to be all-electric, eliminating the use of natural gas and thereby reducing greenhouse gas emissions associated with fossil fuels.
- **Renewable Energy Integration:** The development incorporates rooftop solar installations to achieve zero net energy, meaning it produces as much energy as it consumes, further minimizing its carbon footprint.
- **Energy Efficiency Measures:** Each unit is equipped with EnergyStar appliances and real-time energy monitoring displays, allowing residents to track and manage their energy usage effectively. Additionally, ventilation, plumbing, heating, and cooling systems exceed EPA and California standards, resulting in highly energy-efficient buildings with minimal utility costs for residents.

These features support Petaluma's Climate Emergency Framework, adopted in January 2021, which aims for carbon neutrality by 2030. The framework emphasizes equity and climate justice, mitigation and sequestration, adaptation and social resilience, and community engagement. Furthermore, the project's location adjacent to the future Petaluma North SMART train station promotes transit-oriented development, encouraging the use of public transportation and reducing reliance on personal vehicles, thereby decreasing transportation-related emissions.

By integrating sustainable design elements and supporting alternative transportation options, the Meridian at Petaluma Station North makes a significant contribution to Petaluma's climate action objectives.

ENVIRONMENTAL REVIEW

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, as the action does not meet CEQA's definition of a "project," because holding a TEFRA Bond Hearing for the project is not considered a project as this action constitutes a fiscal activity or an organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

FINANCIAL IMPACTS

The city will receive a portion of the administrative fee, in the amount of \$17,469, as a grant to its general fund, which may be used for any lawful purpose.

There are no direct financial impacts to the City as a result of holding the public hearing and approving the resolution. The bonds will be issued by the California Municipal Finance Authority (CMFA) on behalf of the developer, and all repayment obligations are the sole responsibility of the borrower, Petaluma Corona Station LP. The City holds no financial, legal, or moral obligation in relation to the bonds. The financing documents will clearly state that the bonds are not the responsibility of the City or the State of California and will be repaid solely by the borrower.

ATTACHMENTS

1. Resolution - Meridian at Petaluma North Station Project