



COUNCIL REPORT

DATE: April 28, 2026
CATEGORY: Consent
DEPT.: Housing
TITLE: **Multi-Family Housing Tax-Exempt Bond Financing and Exempt Surplus Land Act Declaration for 1020 Terra Bella Avenue**

RECOMMENDATION

1. Adopt a Resolution of the City Council of the City of Mountain View Approving a Plan of Finance of the California Municipal Finance Authority to Issue and Reissue Revenue Bonds With An Aggregate Principal Amount Not To Exceed Thirty-Five Million Dollars (\$35,000,000) to Finance a Residential Rental Project Located At 1020 Terra Bella Avenue, and Certain Other Matters Relating Thereto, to be read in title only, further reading waived (Attachment 1 to the Council report).
2. Adopt a Resolution of the City Council of the City of Mountain View Declaring the Real Property Located at 1020 Terra Bella Avenue, Which is Intended to be Acquired and Immediately Leased Back to the Developer, to be Exempt Surplus Land Pursuant to the Surplus Land Act, to be read in title only, further reading waived (Attachment 2 to the Council report).

BACKGROUND

The property owners, Public Storage and Alta Housing, have partnered to pursue a collaborative redevelopment of 1020 and 1040 Terra Bella Avenue. The collaboration includes a land swap and land donation of approximately 0.5 acres from Public Storage to Alta Housing to accommodate an affordable housing development and a new personal storage facility. Alta Housing will develop a 108-unit, fully affordable rental project at 1020 Terra Bella Avenue (La Bella), comprising 106 affordable units and two manager units. The project includes 2 studio units, 49 one-bedroom units, 29 two-bedroom units, and 28 three-bedroom units, serving households earning 30-60% of the area median income (AMI).

The project is funded with multiple sources. The City's funding appropriation of \$13.5 million includes City funds and Local Housing Trust Funds. This project will also receive \$10.6 million in County of Santa Clara (County) funding under the Measure A Memorandum of Understanding (MOU) between the City and County. In December 2025, La Bella secured federal and State low-

income housing tax credits, which is paired with tax-exempt bond financing discussed further below.

California Municipal Finance Authority Housing Bond Program

The tax-exempt designation of the bonds is not automatic; it requires completion of the federal Tax Equity and Fiscal Responsibility Act (TEFRA) process, including a public hearing and City Council adoption of a resolution approving the California Municipal Finance Authority's (CMFA) issuance of bonds. It also requires a bond allocation and a legal opinion from bond counsel confirming that all requirements under the Internal Revenue Code have been met.

CMFA was created on January 1, 2004, pursuant to a Joint Exercise of Powers Agreement (JPA) to assist local governments, nonprofit organizations, and businesses with the issuance of taxable and tax-exempt bonds to fund a wide range of activities – including affordable housing projects – to improve the standard of living in California. Membership is a prerequisite for CMFA to issue bonds for projects within a given jurisdiction. To date, more than 300 municipalities, including the City of Mountain View, have joined CMFA.

The Board of Directors of the California Foundation for Stronger Communities, a California nonprofit public benefit corporation (the "Foundation"), acts as the Board of Directors for the CMFA. The CMFA representatives and its Board of Directors have considerable experience in bond financings. The CMFA noncompetitively issues bond financing based on a project's eligibility, funding criteria, and compliance with procedural requirements, such as the City's bond hearing and resolution adoption.

The bonds may be used to finance the construction of a new project or refinance the acquisition and rehabilitation of an existing project, provided the developer agrees to set aside all, or a portion, of the units in a project for very low- and low-income households. A developer can finance a project at a lower interest rate than available through conventional financing because the interest paid to bondholders is exempt from Federal (and, in some cases, State) income taxes. Obtaining financing through the bond program also allows a project to be eligible for low-income housing tax credits.

Tax and Equity Fiscal Responsibility Act Hearing Overview

In order for CMFA to issue the bonds on a tax-exempt basis, the TEFRA requires a public hearing to provide the public an opportunity to speak for or against financing the project with the bonds. The hearing may be held in-person or via teleconference. Notice of the hearing must be published in a newspaper of general circulation at least seven days prior to the date of the public hearing. Following the public hearing, the local elected body is asked to adopt a resolution approving CMFA's issuance of the bonds.

TEFRA hearings are routinely held for affordable housing projects, as tax-exempt bond financing and low-income housing tax credits are key funding sources for nearly all affordable housing projects. The City last conducted a TEFRA hearing via teleconference on October 17, 2025, for the Lot 12 affordable housing project being developed by Alta Housing and Related California, which allowed CMFA to issue tax-exempt bonds for the project.

Exempt Surplus Land

Prior to the disposition of City-owned land through a long-term ground lease with a developer, the City must declare the property as exempt surplus land, pursuant to the Surplus Land Act set forth in Government Code Section 54220, et seq. Local agencies are required to follow certain procedures to dispose of “surplus land” or declare land to be “exempt surplus land” at a regular public meeting prior to disposition. Surplus land that is transferred pursuant to Government Code Section 37364, which authorizes cities to sell, lease, or otherwise dispose of real property to provide housing affordable to persons and families of low or moderate income, qualifies as “exempt surplus land.”

Per the Measure A MOU, the jurisdiction with the highest total financial contribution to a project has the first right to acquire fee simple title to the land as a condition of providing the financing. Not including Lot 12, a City-owned site, 1020 Terra Bella Avenue is the first site under the MOU where the City’s contribution exceeds the County’s, and the City will therefore acquire the land.

ANALYSIS

TEFRA Hearing for La Bella

On March 4, 2026, CMFA conducted a public hearing via teleconference, consistent with the City’s past practice for TEFRA hearings, to receive public comment on the bond financing for the 1020 Terra Bella Avenue project. Notice of the hearing was published in the *Palo Alto Daily Post* in accordance with public noticing requirements. There were no members of the public in attendance, and no comments were received. A transcript of the hearing is included as Attachment 3 to this report.

To satisfy federal requirements under the TEFRA, the City Council must adopt a resolution (see Attachment 1) approving the issuance of tax-exempt bond financing by CMFA. As is typical with tax-credit projects, Alta Housing has formed a limited partnership, Terra Bella II, L.P., a California limited partnership, to apply for the bonds and tax-credit financing and oversee construction of the project. A tax credit reservation for the project was made in December 2025 by the Tax Credit Allocation Committee; however, the tax credit will not be formally issued until this tax-exempt bond financing is approved. Adoption of the TEFRA resolution authorizes CMFA to issue these

bonds, triggering the release of the tax credits. Together, the bond proceeds and tax credit equity complete the project financing, enabling construction to begin in September 2026.

Exempt Surplus Land

As approved by Council at the [March 14, 2023](#), meeting, the City will acquire the land, restrict it for affordable housing, and ground-lease the land to the Developer. The proposed lease terms include an initial 65-year term, with the option to extend the lease term to 99 years. Additionally, the City will contribute the full value of the site to facilitate the financial feasibility of the project. Exercising the City's right to acquire the fee title to the land available through the Measure A MOU with the County would add to the City's real estate portfolio, used to facilitate the development of fully affordable housing and increase the number of supportive housing units.

The approximately one-acre project site is located at 1020 Terra Bella Avenue, at the northwest corner of Terra Bella Avenue and San Rafael Avenue, with additional frontage on Linda Vista Avenue. The acquisition and ground lease of the site to Alta Housing would enable the construction of 106 units of affordable housing (and two manager's units), which will provide housing to households with the following income levels: fifty-four (54) units for households earning up to 30% of Area Median Income (AMI), twenty-five (25) units for households earning up to 50% AMI, and twenty-seven (27) units for households earning up to 60% AMI.

Staff recommends the City Council adopt a resolution declaring the 1020 Terra Bella site to be exempt surplus land under Government Code Section 54221(f)(1)(A) as property transferred pursuant to Government Code Section 37364. By finding and declaring in a resolution that the City intends to ground-lease the property by a lease of over 15 years, for the development of affordable housing pursuant to Government Code section 25539.4(a), the property meets the criteria for "exempt surplus land" under Government Code Section 54221(f)(1)(A).

The City's funding commitment of \$13.5 million includes \$1.3 million appropriated for eligible pre-development expenses, with the remaining \$12.2 million used for acquisition and construction financing. As all the allocations would be part of the Construction/Permanent loan agreement, the interest rate for the entire loan amount would be three percent simple accrued interest; however, no payments are due during the construction period.

FISCAL IMPACT

The bonds are the sole financial obligation of the developer and do not create any financial obligation for the City. All financing documents with respect to the issuance of the bonds will contain clear language that the bonds are not obligations of the City and are to be paid solely with funds provided by the Borrower (developer).

Adoption of the resolution approving the issuance of CMFA exempt facility bonds has no impact on the General Fund, and is necessary for the developer to proceed with securing necessary bond financing from CMFA as well as tax credits for the project.

The CMFA shares a portion of its bond issuance fees with its member agencies. It is anticipated that the City will receive approximately \$19,000 from the CMFA related to this issuance. The funds may be used for any lawful City purpose; however, consistent with past practice, staff recommends depositing the proceeds into the City's Housing Fund to support future affordable housing efforts.

Finally, staff recommends that the City Council adopt a resolution approving the acquisition of the Real Property at 1020 Terra Bella Avenue and subsequent long-term lease and declaring the site as exempt surplus land pursuant to the Surplus Land Act. There will be no fiscal impact on the General Fund.

LEVINE ACT

California Government Code Section 84308 (also known as the Levine Act) prohibits city officials from participating in any proceeding involving a "license, permit, or other entitlement for use" if the official has received a campaign contribution exceeding \$500 from a party, participant, or agent of a party or participant within the last 12 months. The Levine Act is intended to prevent financial influence on decisions that affect specific, identifiable persons or participants. For more information see the Fair Political Practices Commission website: www.fppc.ca.gov/learn/pay-to-play-limits-and-prohibitions.html

Please see below for information about whether the recommended action for this agenda item is subject to or exempt from the Levine Act.

EXEMPT FROM THE LEVINE ACT

General policy and legislative actions

ALTERNATIVES

1. Do not approve the resolution allowing CMFA to issue the multi-family tax-exempt bonds to finance the affordable housing development at 1020 Terra Bella Avenue.
2. Do not approve the resolution to acquire, ground-lease the site on a long-term basis to the developer, and declare the site as exempt surplus land.
3. Provide other direction.

PUBLIC NOTICING

The City Council's agenda is advertised on Channel 26, and the agenda and this report appear on the City's website.

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- Attachments:
1. Resolution Authorizing Issuance of Multi-Family Housing Tax Exempt Bond Financing
 2. Resolution To Acquire the Property Located at 1020 Terra Bella Avenue and Finding the Property to be Leased Immediately Thereafter is Exempt Surplus Land under the Surplus Land Act
 3. TEFRA Hearing Transcript