



CITY COUNCIL AGENDA STATEMENT



November 3, 2020

File ID: 20-0413

- A. RESOLUTION OF THE CHULA VISTA HOUSING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF ITS TAX-EXEMPT MULTIFAMILY HOUSING REVENUE NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$35,000,000 FOR THE PURPOSE OF FINANCING THE ACQUISITION AND CONSTRUCTION OF THE OTAY RANCH APARTMENTS MULTIFAMILY RENTAL HOUSING PROJECT; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF ANY AND ALL DOCUMENTS NECESSARY TO EXECUTE AND DELIVER THE NOTES, COMPLETE THE TRANSACTION AND IMPLEMENT THIS RESOLUTION, AND RATIFYING AND APPROVING ANY ACTION HERETOFORE TAKEN IN CONNECTION WITH THE NOTES

- B. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING A DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS AND DEED OF TRUST BY AND BETWEEN THE CITY OF CHULA VISTA AND OTAY RANCH AFFORDABLE I V8, LP TO PROVIDE 175 RESIDENTIAL UNITS IN OTAY RANCH VILLAGE 8 WEST TO BE OPERATED AS AFFORDABLE RENTAL HOUSING FOR VERY-LOW AND LOW-INCOME HOUSEHOLDS IN SATISFACTION OF THE CITY'S BALANCED COMMUNITIES POLICY

RECOMMENDED ACTION

Authority adopt resolution A and Council adopt resolution B.

SUMMARY

On October 1, 2019, the City Council (CC) and the Chula Vista Housing Authority (CVHA or the "Authority") took preliminary actions needed for the issuance by the CVHA of tax-exempt multifamily revenue notes for the purpose of financing the construction of Otay Ranch Apartments (the "Project"). Located at the northwest corner of La Media Parkway South and Main Street East in the Otay Ranch Village 8 West master planned community, the Project will provide 175 affordable rental units to be restricted for 55-years for occupancy by very low-and low-income families, with two units for resident managers. The CVHA is asked to authorize the execution and delivery of the multifamily housing notes for the Project based upon an award of \$35,000,000 in bond allocation from the California Debt Limit Allocation Committee ("CDLAC") to finance the Project. CC is asked to approve the execution and recordation of a Declaration of Covenants, Conditions, and Restrictions and a Deed of Trust in satisfaction of Otay Ranch Village 8 West's obligations under the City's Balanced Communities Policy.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed project for compliance with the California Environmental Quality Act (CEQA) and has determined that the Project was adequately covered in previously certified Otay Ranch Village 8 West Sectional Planning Area and Tentative Map Final Environmental Impact Report (FEIR 10-03) – SCH No. 2010062093. Thus, no further CEQA review is necessary.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

The Housing Advisory Commission will be provided with an update of the Project at its meeting on October 28, 2020.

DISCUSSION

On October 1, 2019, at a public hearing held in compliance with Section 147(f) of the Internal Revenue Service Code of 1986, reflecting the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), the Chula Vista City Council by CC Resolution No. 2019-193 and the Chula Vista Housing Authority by CVHA Resolution No. 2019-005 approved the use of multifamily housing revenue notes, to be issued by the CVHA, to finance the new construction and operation of the Project located at northwest corner of La Media Parkway South and Main Street East (**Attachment 1: Locator Map**). An application was submitted to the California Debt Allocation Committee (CDLAC), the State bonding authority, and to the California Tax Credit Allocation Committee (CTAC) for the companion tax credits.

In February 2020, the Project received a 2020 State Ceiling on Qualified Private Activity Bonds Allocation in the amount of \$35,000,000 (the “Allocation”), pursuant to CDLAC Resolution No. 20-434. Additionally, the Project received a Preliminary Reservation Letter from the California Tax Credit Allocation Committee (“CTCAC”) for federal and state tax credits. The bond allocation and tax credit contributions will be used to substantially finance the Project. The City and Authority were advised on this matter by a financing team consisting of Stradling Yocca Carlson & Rauth, as special counsel and bond counsel (together, “Special Counsel”) and Ross Financial as Financial Advisor.

Staff requests that the CVHA approve in substantial final form all documents related to the execution and delivery of the notes and bonds to finance the Project. As the Project is being developed in satisfaction of the City’s General Plan Housing Element’s Balanced Communities Policy for Otay Ranch Village 8 West, which requires new construction residential projects to provide housing for low income households, the Council is asked to authorize the execution of a Declaration of Covenants, Conditions, and Restrictions (CC&Rs) to restrict occupancy of the Project in compliance with this Policy.

Since one year has lapsed since CC’s TEFRA hearing and approval on October 1, 2019, the Chula Vista City Council or its appointee will be asked to conduct a new TEFRA (public) hearing (tentatively scheduled for November 17, 2020) to provide an opportunity for public comments on the issuance of the bonds and the project for which the bond funds will be allocated.

Resolutions and the note and bond documents presented for the City Council’s and CVHA’s consideration have been prepared by Stradling Yocca Carlson & Rauth, serving as Special Counsel for the City of Chula Vista and CVHA.

The Development Team

The Project is being developed by Meta Housing Corporation, a for-profit affordable housing developer (“Project Sponsor”). At bond closing, a limited partnership, Otay Affordable I V8, LP, will be created to construct, maintain and operate the Project as the owner and borrower of the bond proceeds. Otay Affordable I V8, LLC will serve as the Administrative General Partner, with JMH Investments, LLC as the manager. FFAH V Otay Ranch I, LLC will serve as the Managing General Partner.

Table 1 - Development Team Summary		
Role	FIRM/CONTACT	
Ownership	Otay Affordable I V8, LP	
Managing General Partner	0.01 %	FFAH V Otay Ranch I, LLC
Administrative General Partner	0.09 %	Otay Affordable I V8, LLC <i>JMH Investments, LLC, Manager</i>
Tax Credit Investor/Limited Partner	99.99 %	Boston Financial Investment Management, LP
Property Management	WSH Property Management	
Lender/Purchaser	Citibank	
Architect	Dahlin Group, Inc.	

The Project Sponsor will be responsible for managing the construction of the property through completion and cost certification, with a general contractor overseeing construction. Meta will also be responsible for preparation of annual property-specific budgets, marketing, leasing, overseeing property management and maintenance, income-qualification of residents, annual reporting to investor and lender, payments to lenders and provide resident services. WSH Property Management will serve as the day to day property manager.

The Project Sponsor was selected by the master developer of Otay Ranch Village 8 West as their partner in developing affordable housing in compliance with the City’s Balanced Communities Policy. Meta Housing has developed over 80 affordable communities, totaling 6,400 units, throughout California with the majority of the communities within Los Angeles County. Their communities include special needs housing, senior housing, family housing, and mixed-use/transit-oriented developments. Otay Ranch Apartments represents the first bond and tax credit financed affordable housing development for Meta Housing in the San Diego region.

The Project

The Project will be built within the Otay Ranch Village 8 West master planned community in eastern Chula Vista. The low-income units will satisfy the requirements of the City’s Balanced Communities Policy for the provision of affordable housing within this community. The Project envisions a total of 175 units, with 173 affordable to very low- and low-income households and 2 units for the resident managers. It will consist of 55 one-bedroom units, 72 two-bedroom units, 46 three-bedroom units. Two of the two-bedroom units will

be reserved for on-site resident managers. Project amenities include community rooms, property management offices, game room, outdoor courtyards, and a tot lot.

The Project is ideally located for the convenience of residents. The Project is within comfortable walking and biking distance to recreational opportunities and neighborhood services and has direct access to public transportation.

Nearby amenities and services are located:

- Less than 1.5 miles from grocery store and other shopping; and,
- Less than 0.50 mile from a planned park and elementary school.

Total Project costs for both acquisition and construction is estimated at \$73.5 million.

Table 2 - Estimated Costs & Key Performance Indicators			
	Total Estimated Costs	Estimated Costs per Unit	Estimated Costs per Gross Building Sq Ft
Construction & Soft Costs	\$ 65,112,980	\$ 372,074	\$ 374
Developer Costs	\$ 8,400,000	\$ 48,000	\$48
TOTAL COSTS	\$ 73,512,980	\$ 420,074	
TOTAL Dwelling Units (DUs)	175		
TOTAL Gross Bldg Sq Ft	174,050		

Income & Rent Restrictions

For bond financing, Section 142 (d) of the Internal Revenue Code requires either a minimum of 20 percent of the rental units in the Project be available for occupancy by very low-income persons or families whose income does not exceed 50 percent of the area median income (AMI) for the San Diego Primary Metropolitan Statistical Area, or alternatively, at least 40 percent of the rental units are required to be available for occupancy by low-income persons or families whose income does not exceed 60 percent of the AMI. The units are made available at affordable rents established by the applicable State law.

The project will exceed the affordability requirements of bond financing with 173 of the 175 units of the Project to be restricted as affordable for very low- and low-income households, with two units reserved for the resident managers, see Table 3. The Project proposes to maintain the income and rent restrictions for 55 years from the effective date of the bond financing agreements. These income and rent restrictions will be outlined within the bond regulatory agreement to be recorded against the property and shall be in compliance with the [CDLAC Committee Regulations](#) and the Low Income Housing Tax Credit program as set forth in Section 42 of the Internal Revenue Code in 1986, as amended (“LIHTC”).

Table 3 – Affordability & Estimated Monthly Rent/Income
(Effective April 2020)

Unit Type	Very Low @ 50% AMI			Low Income @ 60% AMI			Managers Unit
	No. of Units	CTCAC Monthly Gross Rents	Max Annual Income	No. of Units	CTCAC Monthly Gross Rents	Max Annual Income	
1 Bdrm/1 Ba	41	\$ 1,083	\$ 40,450*	14	\$ 1,299	\$ 48,450*	
2 Bdrm/1 Ba	7	\$ 1,300	\$ 46,200*	65	\$ 1,560	\$ 55,440*	2
3 Bdrm	5	\$ 1,501	\$ 52,000*	41	\$ 1,802	\$ 62,400*	
TOTAL DUS 175	53			120			2

*Assumes 1 person occupying a one-bedroom, 2 persons occupying a two- bedroom, and three persons occupying a three-bedroom. Max Annual Income would increase depending on actual occupancy.

Compliance with the income and rent restrictions will be subject annually to a regulatory audit and annual tax credit certification. Compliance with strict property management policies and procedures will ensure that income and rent restrictions will be maintained for the full 55-year compliance period.

Financing

The Tax-Exempt Multi-Family Revenue Bonds and Low-Income Housing Tax Credit financing will support the majority of the estimated \$73.5 million total development cost of the Project. The Project Sponsor has requested the CVHA consider the issuance of one series of tax-exempt obligations with a total aggregate principal not to exceed \$35 million. Citibank, N.A. (“Citi”) will provide a construction-converting-to-permanent loan (Tax-Exempt Series).

The Project Sponsor is receiving \$2,351,924 in annual Low-Income Housing Tax Credits for the next 10 years (\$28.2 million) and \$4,375,000 in State Credits. Boston Financial Investment Management, LP will be the Tax Credit Investor.

The balance of needed funds for the construction and permanent financing of the Project is proposed to be provided by a subordinate taxable loan made directly by Citibank to the Borrower, deferred developer fee and seller carryback financing by HomeFed Village 8, LLC, as seller of the property. No financial assistance from the City or the CVHA is being requested for the Project. A summary of the estimated sources and uses submitted by the Project Sponsor is provided in **Attachment 2**.

Financial Advisor’s Feasibility Analysis

Ross Financial is the CVHA’s Financial Advisor for this transaction. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the Financial Advisor’s recommendation that the CVHA proceed with execution and delivery of the notes. The Financial Advisor’s analysis and recommendation is included as **Attachment 3**.

Bond Structure

The Housing Authority is being asked to authorize the issuance of one series of notes and bonds (Series 2020 A) to finance development costs. The Note will be purchased in a private placement by Citi or another affiliate. Citi has committed to provide tax-exempt and taxable construction and permanent financing for the Project. The Note will meet all requirements of the CVHA's Multifamily Housing Revenue Bond Program and will fully comply with the City bond disclosure policies.

At this time, the Housing Authority is being asked to approve in substantial final form all documents related to the execution and delivery of the notes and bonds. Note and bond documents presented for the CVHA's consideration have been prepared by Stradling Yocca Carlson & Rauth, serving as Special Counsel to the CVHA.

These documents are listed below:

- The Funding Loan Agreement describes the terms and conditions between the Issuer and the Funding Lender for advancing funds and application of these for the purpose of funding a loan to the Borrower (**Attachment 4**).
- The Loan Agreement specifies the terms and conditions of the Loan financing for the Project (see **Attachment 5**).
- The Bond Regulatory Agreement and Declaration of Restrictive Covenants specifies the regulations for the use and operation of the Project (**Attachment 6**).

Balanced Communities Policy

The City Council is being asked to approve the execution and recordation of a Deed of Trust and a Declaration of Covenants, Conditions, and Restrictions (CC&Rs) to provide 175 residential units within the Project to be operated as affordable rental housing for very-low and low-income households to satisfy Village 8 West's Low- and Moderate-income obligation (**Attachment 8 and 9, respectively**).

Financial Disclosure

Government Code Section 5852.1 requires that the governing body of a public body obtain and disclose certain information about a financing, including conduit revenue obligations, prior to authorizing the issuance of bonds with a term of greater than 13 months. Such information is to be based on good faith estimates of the following information made available in a meeting open to the public. **Attachment 7**, Public Disclosures Relating to Conduit Revenue Obligations, satisfies this requirement.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council and the CVHA members and has found no property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(7) or (8), for purposes of the Political Reform Act (Cal. Gov't Code §87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council or CVHA member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

Multifamily Housing Revenue Bond Financing is a self-supporting program, with the borrower, the property owner, responsible for the payment of all costs of issuance and other costs of the notes. The CVHA will receive compensation for its services in execution and delivery of the notes by charging an origination fee equal to 20 basis points (0.20%) of the total original principal amount of the notes, with a minimum fee of \$70,000 (.20% of \$70M), with the final amount determined at the transaction closing. The borrower is responsible for payment of all costs under the financing, including Bond Counsel, Outside Counsel, Financial Advisor Fees, and Trustee Fees.

ONGOING FISCAL IMPACT

Multifamily Housing Revenue Bond Financing is self-supporting program. Staff costs associated with monitoring compliance of the regulatory restrictions and administration of the outstanding notes will be reimbursed from an annual administrative fee of \$17,000 paid to the CVHA by the borrower. The notes will not constitute a debt of the City or financially obligate the City of the CVHA because the security for the repayment of the notes will be limited to specific private sources of the development. Neither the faith and credit nor the taxing power of the City or the CVHA will be pledged to the payment of the notes. The borrower is responsible for payment of all costs under the financing, including CVHA's annual administrative fee.

ATTACHMENTS

1. Locator Map
2. Revised Project Pro Forma (10.2020)
3. Financial Advisor's Feasibility Analysis

Bond Loan Documents (Transaction Documents)

4. Funding Loan Agreement
5. Borrower Loan Agreement
6. Bond Regulatory Agreement and Declaration of Restrictive Covenants

Other:

7. Public Disclosures Relating to Conduit Revenue Obligations
8. Deed of Trust Balanced Communities Policy
9. Declaration of Covenants, Conditions and Restrictions-Balanced Communities Policy

Staff Contact: Leilani Hines, Housing Manager Chula Vista Housing Authority