



# CITY COUNCIL AGENDA STATEMENT



November 27, 2018

File ID: 18-0514

## **TITLE**

Resolution of the Chula Vista Housing Authority approving the issuance of Tax-Exempt Revenue Bonds by CMFA in a principal amount of up to \$50,000,000 to be used to finance the acquisition, rehabilitation, improvement and equipping of a 271-unit multifamily rental housing development, located at 1325 Santa Rita East and 1392 East Palomar Street, Chula Vista, California

## **RECOMMENDED ACTION**

Housing Authority adopt the resolution.

## **SUMMARY**

The Chula Vista Housing Authority has received a request from Standard Properties ("Project Sponsor") on behalf of Standard Properties Heritage Venture LP to consent to the issuance of tax exempt private activity bonds by the California Municipal Finance Authority ("CMFA") to finance the acquisition and rehabilitation of 271 existing affordable units at 1325 Santa Rita East and 1392 East Palomar Street (the "Project"). The rehabilitation would improve the properties and extend the term of the affordable rents for 55 years (currently scheduled to expire in 2052).

## **ENVIRONMENTAL REVIEW**

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA.

## **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

The Housing Advisory Commission was not able to consider a recommendation due to a lack of quorum.

## **DISCUSSION**

The Project Sponsor is requesting that the Chula Vista Housing Authority ("Housing Authority") consent to the issuance of tax-exempt private activity bonds for multi-family projects ("tax-exempt bonds") in an aggregate amount not to exceed \$50 million for the acquisition and rehabilitation of the Project located at 1325 Santa Rita East and 1392 East Palomar Street, known as Harvest Ridge Senior and Sunrose Apartments (Attachment 1: Locator Map) by another conduit issuer, CMFA. CMFA is a joint exercise of powers authority consisting of numerous California cities, counties and special districts, including the City

of Chula Vista. CMFA, pursuant to its Joint Exercise of Powers Agreement, is authorized to assist in the financing of facilities, including the acquisition and rehabilitation of such affordable housing by Project Sponsor.

In accordance with the Housing Authority's Multifamily Housing Mortgage Revenue Bond Policy adopted by HA Resolution 2018-01 on April 1, 2018 ("Bond Policy"), the Housing Authority shall be the issuer of all Bonds financing housing projects within the City with limited exceptions. Financing for the acquisition and rehabilitation of the Project began in 2017. At such time, the Housing Authority's Bond Policy had not yet been adopted and the Authority allowed for the issuance of bonds by other conduit issuers. All due diligence and financing assumptions were based upon bond issuance by CMFA. Subsequently, on February 2, 2018, CMFA approved, by its Resolution 18-006, its intent to issue revenue bonds to finance the project. While the Housing Authority has since adopted its Bond Policy, Staff recommends the Housing Authority consent to the issuance by CMFA as due diligence for the financing of the Project was completed prior to the adoption of its Policy.

### Project Description

Standard Properties, a for-profit developer based in Beverly Hills, specializing in investing in bond financed affordable housing developments, is currently part owner and sponsor of the Project. The Project was built in 2000 with financing through Chula Vista Housing Authority Series 2001A bonds, a \$4.4 million loan from the Low and Moderate Income Housing Set-aside Fund ("Low Mod Fund"), and other funding sources. The original 2001 bonds were redeemed in April 2018, as well as full repayment of the \$4.4 million Low Mod Loan at such time.

Standard Properties is now seeking funding to recapitalize the Project. Recapitalization—involving financial restructuring and improvements being made to a property—is an action on existing low income housing bond financed-tax credit properties which is typical and is to be expected at certain periods in properties' lifecycles. As the Project's tax credit compliance period of 15 years has ended, it is allowable under federal IRS rules for the Project to receive a new tax credit allocation to rehabilitate the property. A concurrent change in ownership will also result, with Standard Properties remaining as a part owner and a new tax credit equity investor.

While CMFA will serve as the current issuer for the new bonds, the Project will continue to be restricted for occupancy by lower income households at affordable rents by the original Housing Authority bond regulatory agreement, as well as the Low Mod regulatory agreement. Pursuant to the existing bond and Low Mod regulatory agreements, the Project must still abide by the terms outlined within those regulatory agreements from 2001, until 55 years thereafter. The occupancy and rent restrictions will continue as they are now—30 of the 271 Units will offer restricted rents serving tenants with maximum incomes of 50% of the area median income ("AMI"), 238 units will offer restricted rents for tenants at or below 60% AMI, and two units for resident managers will remain unrestricted. The Housing Authority will also continue to monitor affordability of the Project and will receive an annual fee for these efforts.

### **DECISION-MAKER CONFLICT**

Staff has reviewed the property holdings of the Housing Authority members and has found no property holdings within 500 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)(11), 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 Housing Authority member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

### **LINK TO STRATEGIC GOALS**

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The development and provision of quality affordable housing for low income families and seniors within master planned communities supports the Economic Vitality goals as it promotes the development of quality neighborhoods that provide a full complement of uses and services in a balanced fashion. With only 16 percent of the housing within the areas east of Interstate-805 available as multifamily housing, the ongoing provision of 271 rental units within the Otay Ranch Village of Heritage community will maintain the availability of housing opportunities for all economic segments of the community. With 57 percent of Chula Vista households earning less than the U.S. Department of Housing and Urban Development's area median income, the ongoing availability of affordable housing addresses the City's Connected Community goals as it provides housing to meet residents' needs and priorities.

### **CURRENT-YEAR FISCAL IMPACT**

Bond financing is a self-supporting program with the owner responsible for the payment of all costs of issuance and other costs and repayment of the bonds. The Property Owner has requested that CMFA issue multifamily housing revenue bonds in an aggregate principal amount not to exceed \$50,000,000 to provide the necessary financing for the acquisition, rehabilitation, improvement and equipping of a 271-unit multifamily residential development. There is no liability to or obligation of the City of Chula Vista or Housing Authority associated with the issuance of the bonds by another conduit issuer for repayment of the bond indebtedness or to incur any costs related to the issuance of the bonds.

The Housing Authority did originally issue Series 2001A in an amount of \$15,384,000 for the Project that was redeemed in April 2018. Pursuant to the existing bond regulatory agreement from the 2001 bond issuance, the Housing Authority must continue to monitor affordability of the Project and report to CDLAC for the full 55 year term—until February 2058. The Chula Vista Housing Authority will continue to receive compensation for its services in monitoring for compliance in an amount of \$19,250 per year.

### **ONGOING FISCAL IMPACT**

Staff costs associated with monitoring compliance of the regulatory restrictions and administration of the outstanding bonds will be reimbursed from an annual administrative fee of \$19,250 per year paid to the Housing Authority by the owner until February 2058.

### **ATTACHMENTS**

1. Project location map

*Staff Contact: Leilani Hines, Housing Manager*