

RESOLUTION NO. \_\_\_\_\_  
(HOUSING AUTHORITY RESOLUTION NO. \_\_\_\_\_)

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AND THE HOUSING AUTHORITY, IN ITS CAPACITY AS THE SUCCESSOR HOUSING ENTITY WITHIN THE MEANING OF HEALTH AND SAFETY CODE SECTION 34176, [1] APPROVING TOTAL FINANCIAL ASSISTANCE OF \$2,068,000; AND [2] AUTHORIZING THE CITY MANAGER TO EXECUTE RELATED LOAN DOCUMENTS BY AND BETWEEN THE CITY OF CHULA VISTA AND A TO-BE-FORMED LIMITED PARTNERSHIP FOR MILLENIA MULTIFAMILY AFFORDABLE APARTMENTS

WHEREAS, to facilitate and materially assist the housing industry in providing adequate and affordable shelter for all economic segments of the community and to provide a balance of housing opportunities for very low income, lower income, and senior households, the City of Chula Vista (“City”) has adopted Chula Vista Municipal Code (“CVMC”) Section 19.90 - Affordable Housing Incentives, consistent with Sections 65915 and 65917 of the California Government Code; and

WHEREAS, Chelsea Investment Corporation, utilizing a to-be-formed limited partnership of which Chelsea Investment Corporation will be a partner, the “Developer”, proposes to construct an 87 unit multifamily rental development, with 9 units affordable to very low income households at 50 percent of the Area Median Income (AMI) and 77 units affordable to low income households at 60 percent of the Area Median Income (AMI), within the Otay Ranch Millenia Master Planned Community (“Multifamily Project”); and

WHEREAS, Developer is applying for an allocation of Multifamily Housing Revenue Bonds from the California Debt Limit Allocation Committee (CDLAC); and

WHEREAS, Developer is applying for four percent (4%) tax credits from the Tax Credit Allocation Committee (TCAC); and

WHEREAS, in accordance with CVMC §19.90.050, the Developer has requested assistance to reduce the development costs for the construction of the Multifamily Project for its financial feasibility; and

WHEREAS, the City’s evaluation of the development budget, operating pro forma, and source and uses for the Multifamily Project determined that additional financing is appropriate and necessary in order to make the Multifamily Project feasible; and

WHEREAS, California Health and Safety Code §33334.2 and 33334.6 authorize and direct the Housing Authority (in its capacity as the Successor Housing Entity within the meaning of Health and Safety Code section 34176; “Housing Authority”) to expend funds pursuant to

Health and Safety Code section 34176(d) for the purposes of increasing, improving and preserving the community's supply of low and moderate income housing available at affordable housing cost to persons and families of low- and moderate-income, lower income, and very low income; and

WHEREAS, pursuant to Health and Safety Code section 34176(d) the Housing Authority has established a Low and Moderate Income Housing Asset Fund (the "Housing Asset Fund"); and

WHEREAS, pursuant to Health and Safety Code Section 33334.2(e), in carrying out its affordable housing activities, the Housing Authority is authorized to provide subsidies to or for the benefit of very low income and lower income households, or persons and families of low or moderate income, to the extent those households cannot obtain housing at affordable costs on the open market, and to provide financial assistance for the construction and rehabilitation of housing which will be made available at an affordable housing cost to such persons; and

WHEREAS, the Housing Authority wishes to provide Developer with a development loan in the amount of eight hundred ninety-five thousand three hundred forty dollars (\$895,340) from its Housing Asset Fund to assist with the financing gap for the construction of the Multifamily Project; and

WHEREAS, the Multifamily Project furthers the goals of the Housing Authority and the City, as it will facilitate the creation of new affordable rental housing which will serve the needs and desires of various age, income and ethnic groups of the neighborhood and the City; and

WHEREAS, the City of Chula Vista ("City") is an entitlement/participating jurisdiction for the U.S. Department of Housing and Urban Development (HUD) funding programs and is awarded on an annual basis a formula grant from the HOME Investment Partnership Program (HOME); and

WHEREAS, pursuant to Council Resolution Number 2014-064, City Council approved the HUD Annual Action Plans which includes funding for the production of affordable rental housing for low income households using HOME Investment Partnership Program (HOME) funds; and

WHEREAS, in May 2015, the City Council will approve the final 2015/2016 Annual Action Plan for the HOME Investment Partnership Program that includes funding for the production of affordable rental housing for low income households; and

WHEREAS, the Balanced Communities Policy of the City's Housing Element of the General Plan which sets forth the objective of providing balanced and varied housing opportunities throughout the City to satisfy needs and desires of various age, income, and ethnic groups of the community, and which specifically provides for the construction of new affordable housing units through City assistance; and

WHEREAS, the City wishes to provide Developer with a development loan of eight hundred thousand dollars (\$800,000) from its FY 2015 and 2016 HOME funds and three hundred and seventy dollars (\$372,660) from its Balanced Communities In Lieu funds to assist with the financing gap for the construction of the Multifamily Project; and

WHEREAS, the City's development loan does not exceed the HOME maximum per-unit subsidy limits based on the Section 221(d)(3) limits established by HUD; and

WHEREAS, the City has available funds received in satisfaction of the City's Balanced Communities Affordable Housing Policy of the Housing Element of the General Plan; and

WHEREAS, in order to carry out and implement the City's Consolidated Plan and Housing Element of the General Plan and the affordable housing requirements and goals thereof, the Successor Agency and City propose to enter into a Housing Authority and City Loan Agreement and Related Restricted Covenants (the "Housing Authority/City Loan Agreement") and a City HOME Loan Agreement and Related Restricted Covenants (the "HOME Loan Agreement"), respectively, with the Developer, to be recorded as encumbrances to the Multifamily Project, pursuant to which the Successor Agency and City would make the loans to the Developer, and the Developer would agree to develop and operate the Multifamily Project in accordance with the requirements of the Housing Authority/City Loan Agreement and HOME Agreement, restricting occupancy of 87 of the apartment units in the Multifamily Project to very-low and low-income households and rent those units at an affordable housing cost, plus 1 unrestricted apartment units which will be the managers' units; and

WHEREAS, the Housing Authority/City Loan, HOME Loan and Fee Deferral Agreements will leverage the investment of the Housing Authority and City by requiring the Developer to obtain additional financing for the construction and operation of the Multifamily Project through a combination of a loan obtained from the proceeds of multi-family mortgage revenue bond financing and an equity contribution by a limited partner investor in consideration for the "4% Tax Credits" to be generated by the Multifamily Project; and

WHEREAS, the City's Housing Advisory Commission did, on the 20<sup>th</sup> day of November, 2014, hold a public meeting to consider said request for financial assistance; and

WHEREAS, the Housing Advisory Commission, upon hearing and considering all testimony, if any, of all persons desiring to be heard, and considering all factors relating to the request for financial assistance, recommended to the Housing Authority and City that financial assistance be approved on the condition that all other necessary financing be secured for the Multifamily Project, and

WHEREAS, the Housing Advisory Commission found that the City's and Housing Authority's financial participation in the development of the Multifamily Project will be a sound investment based upon Developer's ability to effectively serve the City's housing needs and priorities as expressed in the Housing Element and Consolidated Plan and the cost effectiveness of the City's financial assistance based upon the leveraging of such sources and is necessary in order to facilitate the construction of the Multifamily Project; and

WHEREAS, in accordance with the requirements of CEQA, the Environmental Review Coordinator has determined that the proposed project was adequately covered in previously adopted Final Second Tier Environmental Impact Report, EIR 07-01, and no further action by the City Council is necessary; and,

WHEREAS, the development of the Multifamily Project is subject to completing an environmental review under NEPA prior to construction.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chula Vista and the Housing Authority, in its capacity as the Successor Housing Entity within the meaning of Health and Safety Code section 34176, that the Multifamily Project is consistent with the provisions of Chula Vista Municipal Code (CVMC) Section 19.90, wherein Developer will construct housing units to be restricted for occupancy by very low and low-income households as set forth in CVMC §19.90.040.

BE IT FURTHER RESOLVED by the Housing Authority, in its capacity as the Successor Housing Entity within the meaning of Health and Safety Code section 34176, and City Council of the City of Chula Vista that the financial assistance requested by Developer, in accordance with CVMC §19.90.050, is necessary to provide for affordable rents and to achieve lower development costs. The Multifamily Project cannot be built without such assistance.

BE IT FURTHER RESOLVED by the Housing Authority, in its capacity as the Successor Housing Entity within the meaning of Health and Safety Code section 34176, that it does hereby approve a residual receipts loan in an amount not-to-exceed \$895,340 from the Housing Authority's Low and Moderate Income Housing Asset fund to Developer for the construction of 87 residential units of the Multifamily Project within the Otay Ranch Millenia master planned community.

BE IT FURTHER RESOLVED by the City Council of the City of Chula Vista that is does hereby approve a residual receipts loan in an amount not-to-exceed \$372,660 from the In-Lieu fees of the City's Balanced Communities Affordable Housing Policy to Developer for the construction of 87 residential units of the Multifamily Project within the Otay Ranch Millenia master planned community.

BE IT FURTHER RESOLVED by the City Council of the City of Chula Vista that it does hereby commit and approve a residual receipts loan in an amount not-to-exceed \$800,000 of HOME Investment Partnership funds (HOME), \$300,000 of its 2014/2015 HOME funds and \$500,000 of its 2015/2016 HOME funds to Developer for the construction of 87 residential units of the Multifamily Project within the Otay Ranch Millenia master planned community.

BE IT FURTHER RESOLVED by the City Council of the City of Chula Vista and the Housing Authority, in its capacity as the Successor Housing Entity within the meaning of Health and Safety Code section 34176, that it directs staff to prepare all necessary documents and any actions, as required by HUD or California Health and Safety Code Sections 33334.2 and 33334.6 to commit the HOME and Housing Authority funds, and authorizing the City Manager, or his designee to execute an Housing Authority/City Loan Agreement, HOME Loan Agreement, and all associated loan documents and regulatory agreements, consistent with the City's standard documents as reviewed and approved by the City Attorney's office, necessary for the financing of the proposed Multifamily Project. securing said loan, and, at minimum, subject to the following terms and conditions:

1. Certification of the appropriate CEQA and NEPA documentation prior to any City and Successor Agency Loan disbursements for any portion of the Multifamily Project.
2. Developer shall secure all other financing necessary for the acquisition and development of the Multifamily Project.
3. The loan repayments will be secured by Deeds of Trust and Promissory Notes for the property in favor of the City of Chula Vista and Housing Authority and recorded against the Multifamily Project property. The City's and Housing Authority's loans will be junior to the City's Development Fee Deferral deed of trust, the bond financing and the deferred developer fees for the Multifamily Project.
4. The term of the City and Housing Authority loans shall be fifty-five (55) years.
5. The outstanding balances shall all accrue simple interest at 3 percent per annum.
6. Payment of principal and interest on the City and Housing Authority loans shall be made out of a fund equal to fifty percent (50%) of the "Residual Receipts", defined as the income which remains after the payment of the debt service on the permanent loan, payment on subordinate junior bonds, payment of the deferred developer fee, and reasonable operating expenses.
7. Developer will be required to operate the Multifamily Project consistent with the Regulatory Agreement required by the Multifamily Project's bond and tax credit financing, the City's Affordable Housing Program, and the City's and Housing Authority's financing, the covenants imposed by these Agreements, and any other project requirements.
8. The City and Housing Authority assistance is based upon the assumptions presented within the sources and uses of funds, development budget, development proforma and other information filed with the Affordable Housing Review Application for the project as submitted and reviewed by the City's Development Services Housing Division. The City and Housing Authority assistance is a maximum level of participation. It is expected

that any substantive revisions in such financing assumptions which would lead to an increase in other resources available, would therefore reduce the level of City and Housing Authority assistance.

9. The City Council and Housing Authority retain their sole and unfettered discretion to approve, deny, or to take alternative actions, of, but not limited to, the following: the commitment of \$895,340 of Housing Asset funds, \$800,000 from the City's FY 2015 and 2016 HOME funds, and \$372,660 of available Balanced Communities In Lieu funds and final approval of multifamily mortgage revenue bond financing for the Multifamily Project.

Presented by

Approved as to form by

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Kelly Broughton  
Development Services Director

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Glen R. Googins  
City Attorney