



CITY COUNCIL AGENDA STATEMENT



December 1, 2020

File ID: 20-0453

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING THE ISSUANCE, SALE, AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS OF THE CHULA VISTA HOUSING AUTHORITY FOR OTAY RANCH APARTMENTS

RECOMMENDED ACTION

Council adopt the Resolution.

SUMMARY

On October 1, 2019, the City Council 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. Given a year's time has passed since the preliminary actions, the City Council is required to consider whether the CVHA should issue tax exempt private activity bonds in the amount of \$35,000,000 to finance the Project and to approve the issuance, sale, and delivery of multi-family housing revenue bonds by the CVHA after receiving any further public comments from a hearing held on November 30, 2020.

ENVIRONMENTAL REVIEW

The Director of Development Services 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 adopted/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 voted 5-0 to approve the issuance, sale, and delivery of multi-family housing revenue bonds by the CVHA for the Otay Ranch Apartments 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 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.

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), a public hearing (the "TEFRA hearing") by the elected legislative body of the jurisdiction was previously held on October 1, 2019 to provide the public an opportunity to comment on the use of the tax-exempt funds to finance the Project. Since one year has lapsed since the TEFRA hearing and approval, the City must conduct a new TEFRA (public) hearing to provide an opportunity for public comments on the issuance of the bonds and the project for which the bond funds will be allocated.

On November 30, 2020, the City's hearing officer, the City Manager as appointed by City Council by Resolution No. 2020-248, held the TEFRA hearing at 4:00 p.m. on Monday, November 30, 2020, at the City Council Chambers of the City of Chula Vista, California (Attachment 2: Notice of Public Hearing). At this time, the City Council is asked to accept the comments (if any) that were received at such TEFRA hearing and consider whether the CVHA should issue tax exempt private activity bonds to finance the Project and to approve the issuance, sale, and delivery of multi-family housing revenue bonds by the CVHA.

The Resolution presented for the City Council's consideration has been prepared by Stradling Yocca Carlson & Rauth, serving as Bond 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"). 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 or an authorized property management company by Meta Housing will also be responsible for marketing, leasing, overseeing property management and maintenance, income-qualification of residents, annual reporting to the CVHA and provide resident services.

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			Manager 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.

Proposed Housing Bonds/Notes

Multifamily housing financing often involves the issuance of tax-exempt Multifamily Housing Revenue Bonds/Notes (Notes) on behalf of private developers of qualifying affordable rental apartment projects. The advantages of tax-exempt financing to developers include below-market interest rates, longer loan terms, and access to Low-income Housing Tax Credits (Tax Credits) – features that are not available with typical conventional multifamily housing mortgage loans.

Utilizing the CVHA’s tax-exempt borrowing status, the lower tax-exempt interest rate financing (and making Federal four percent Tax Credits available) is passed on to developers of affordable rental housing. The CVHA’s ability to issue tax-exempt bonds/notes is limited under the U.S. Internal Revenue Code. To issue tax-exempt bonds/notes for a development, the CVHA must first submit an application to the CDLAC for a tax-exempt bond/note allocation. Prior to submitting applications to CDLAC, developments are brought before the City Council and the CVHA. CVHA bond inducement resolutions must be obtained prior to a CDLAC application submittal. A Tax Equity and Fiscal Responsibility Act (TEFRA) City Council resolution must be secured prior to the issuance of the bonds. These actions were previously taken on October 1, 2019 by the City Council and CVHA but such actions are requested again consistent with the attached Resolution for Council’s consideration since more than one year’s time has passed from the original actions. The Project has already been awarded \$35,000,000 in bond allocation by CDLAC.

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 \$35,000,000. 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 3.

The bonds will meet all requirements of the CVHA’s Multifamily Housing Revenue Bond Program and will fully comply with the City bond disclosure policies.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council 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, 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/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. Notice of Public Hearing for November 30, 2020
3. Revised Project Pro Forma (10.2020)

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