



City of Chula Vista

Legislation Details (With Text)

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		In control:	City Council
On agenda:	4/21/2015	Final action:	4/21/2015
Title:	CONSIDERATION OF APPROVAL OF FINANCIAL ASSISTANCE FOR A PROPOSED 123-UNIT SENIOR AND 87-UNIT MULTIFAMILY AFFORDABLE HOUSING DEVELOPMENT WITHIN THE MILLENIA MASTER PLANNED COMMUNITY		
	<p>A. RESOLUTION NO. 2015-084 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AND NO. 2015-008 OF 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 \$932,000; 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 SENIOR AFFORDABLE APARTMENTS</p> <p>B. RESOLUTION NO. 2015-085 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA [1] APPROVING DEFERRAL OF THE APPLICABLE PARKLAND ACQUISITION AND DEVELOPMENT, TRAFFIC SIGNAL, SALT CREEK SEWER BASIN, AND SEWER CAPACITY FEES, AND WAIVER OF THE RESIDENTIAL CONSTRUCTION TAX IN AN ESTIMATED AMOUNT OF \$1,288,571; AND [2] AUTHORIZING THE CITY MANAGER TO EXECUTE FEE DEFERRAL AGREEMENTS AND RELATED SECURITY INSTRUMENTS BY AND BETWEEN THE CITY OF CHULA VISTA AND A TO-BE-FORMED LIMITED PARTNERSHIP FOR MILLENIA SENIOR AFFORDABLE APARTMENTS</p> <p>C. RESOLUTION NO. 2015-086 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AND NO. 2015-009 OF 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</p> <p>D. RESOLUTION NO. 2015-087 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA [1] APPROVING DEFERRAL OF THE APPLICABLE PARKLAND ACQUISITION AND DEVELOPMENT FEE, TRAFFIC SIGNAL, SALT CREEK SEWER BASIN, AND SEWER CAPACITY FEES, AND WAIVER OF THE RESIDENTIAL CONSTRUCTION TAX IN THE TOTAL ESTIMATED AMOUNT OF \$911,429; AND [2] AUTHORIZING THE CITY MANAGER TO EXECUTE FEE DEFERRAL AGREEMENTS AND RELATED SECURITY INSTRUMENTS BY AND BETWEEN THE CITY OF CHULA VISTA AND A TO-BE-FORMED LIMITED PARTNERSHIP FOR MILLENIA MULTIFAMILY AFFORDABLE APARTMENTS</p> <p>E. RESOLUTION NO. 2015-088 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING AN AMENDMENT TO THE EASTERN URBAN CENTER AFFORDABLE HOUSING PROGRAM TO FACILITATE THE DEVELOPMENT OF LOW- AND MODERATE-INCOME HOUSING</p> <p>F. RESOLUTION NO. 2015-089 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING AN AMENDMENT TO THE AGREEMENT REGARDING CONSTRUCTION OF PARKS IN A PORTION OF OTAY RANCH EASTERN URBAN CENTER</p>		
Sponsors:	Leilani Hines		
Indexes:			

Code sections:

Attachments: 1. Item 7 - Resolution A, 2. Item 7 - Final Amended Reso B by Simon 4_30_15, 3. Item 7 - Resolution C, 4. Item 7 - Final Amended Reso D by Simon 4_30_15 (2), 5. Item 7 - Resolution E, 6. Item 7 - Resolution F, 7. Item 7 - Attachment 1 Locator Map 2014.pdf, 8. Item 7 - Attachment 2 Income_Rents.docx, 9. Item 7 - Attachment 3 Proforma Analysis.pdf, 10. Item 7 - Attachment 4 Financial Assistance Millenia Aff Hsg.pdf, 11. Item 7 - Attachment 5 Cost of Aff Hsg.pdf, 12. Item 7 - Attachment 6 EUC SPA Aff Hsg Plan Amend REDLINE.pdf, 13. Item 7 - Attachment 7 1st Amendment to Parks Agreement.pdf, 14. Item 7 - Presentation

Date	Ver.	Action By	Action	Result
4/21/2015	1	City Council	adopt	Pass

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APPROVING AN AMENDMENT TO THE EASTERN URBAN CENTER AFFORDABLE HOUSING PROGRAM TO FACILITATE THE DEVELOPMENT OF LOW- AND MODERATE-INCOME HOUSING

F. RESOLUTION NO. 2015-089 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING AN AMENDMENT TO THE AGREEMENT REGARDING CONSTRUCTION OF PARKS IN A PORTION OF OTAY RANCH EASTERN URBAN CENTER

RECOMMENDED ACTION

Council conduct the public hearing; Council/Authority adopt resolutions A and C; and Council adopt resolutions B, D, E and F.

SUMMARY

Chelsea Investment Corporation and Millenia Real Estate Group have proposed the development and construction of a 123-unit and an 87-unit affordable housing development for low income senior and family households, respectively, known as Millenia Senior and Multifamily Affordable Apartments ("Projects"). The Projects are located near the southwest corner of Birch Road and Eastlake Parkway within the Otay Ranch Eastern Urban Center (EUC and also known as Millenia) master planned community. On December 14, 2014, the Housing Authority expressed its intent to issue a maximum of \$38 million in tax exempt obligations. Additional financial assistance is still needed. Chelsea Investment Corporation is requesting that City Council and Housing Authority consider \$3 million in available HOME and other Housing Asset Funds and \$2.2 million from the deferral and waiver of certain City fees and taxes and amendments to the Eastern Urban Center Comprehensive Affordable Housing Program and Agreement regarding Construction of Parks to facilitate the development of the Projects.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed projects for compliance with the California Environmental Quality Act (CEQA) and has determined that the proposed projects were adequately covered in a previously adopted Final Second Tier Environmental Impact Report, EIR 07-01. Therefore, no further CEQA review or documentation is necessary.

The City's federal Department of Housing and Urban Development funds will also be a source of financial assistance to the 87-unit multifamily project. Therefore, as requested by the federal entitlement funds, the 87-unit multifamily project must also be reviewed under the National Environmental Policy Act (NEPA). Funding of the loan to the 87-unit multifamily project will be conditioned upon the completion of all required review under NEPA.

BOARD/COMMISSION RECOMMENDATION

On November 20, 2014, the Housing Advisory Commission voted to recommend the development of Millenia Senior and Multifamily Apartments as affordable rental communities and the issuance of tax exempt private activity bonds.

DISCUSSION

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 has adopted Chula Vista Municipal Code Section 19.90 - Affordable Housing Incentives consistent with Sections 65915 and 65917 of the California Government Code. The City and its Housing Authority, in its capacity as the

Successor Housing Entity within the meaning of Health and Safety Code section 34176; "Housing Authority") has received a request, pursuant to CVMC 19.90.050, from Chelsea Investment Corporation to consider financial assistance of \$5.2 million to support the construction of 123 units of senior and 87 units of multifamily rental housing within Otay Ranch Eastern Urban Center (now known as Millenia). The financial assistance will be provided to not-yet-formed limited partnerships of which Chelsea Investment Corporation will be a partner, for convenience those to-be-formed limited partnerships will be referred to herein as CIC or Applicant. Amendment to the Eastern Urban Center (EUC) Affordable Housing Program is requested to facilitate the development of the senior housing and moderate income housing. The Projects are proposed to satisfy the Balanced Communities Affordable Housing obligation as outlined within this document.

On December 14, 2014, the Housing Authority expressed its intent to apply for and issue bonds for the Project. Additionally, the City Council approved the issuance, sale and delivery of multifamily housing revenue bonds by its Housing Authority. The Authority and Applicant will submit an application in May 2015 to both the California Debt Limit Allocation Committee (CDLAC) and the California Tax Credit Allocation Committee (CTAC) for bonds and tax credits, respectively, to substantially finance the Projects.

It is anticipated that the bonds and tax credits would cover a significant amount (68%) of the estimated cost of \$59.2 million (\$282,120 per unit). The balance of needed funds to finance the Projects are proposed to be provided by City and Housing Authority subsidies, other contributions and a deferred developer fee. CIC is requesting that the City of Chula Vista and its Housing Authority approve total financial assistance in an amount not to exceed \$5.2 million. Approval of the financial assistance is necessary for application to CDLAC and CTAC.

The Applicant

Chelsea Investment Corporation (CIC) has developed several projects in Chula Vista, primarily in eastern Chula Vista, to satisfy various developers' Balanced Communities Affordable Housing obligations (Teresina Apartments, Rancho Buena Vista Apartments, Villa Serena and The Landings I and II). CIC has over 6,300 housing units in its portfolio. The company has a strong and experienced team of professionals. CIC has successfully managed low income housing units for over 30 years. CIC is qualified and has demonstrated an ongoing desire and commitment to partner with the City in the development of another affordable housing project.

The Proposed Project and Benefits

The Millenia Affordable Housing developments will be built within the Otay Ranch Millenia master planned community of Chula Vista. As the urban heart of Otay Ranch, Millenia will contain the largest concentration of retail, employment, residential, civic and cultural uses.

The Project sites are located near the southwest corner of Birch Road and Eastlake Parkway (Exhibit 1 - Locator Map). The location will provide future residents an ideal location, with easy access to employment and education opportunities, neighborhood services within Millenia and the other adjacent neighborhoods and direct access to public transportation. The site is located along the proposed Bus Rapid Transit line and within walking distance to neighborhood services and facilities. It is within 1/3 of a mile of Otay Ranch Town Center, a grocery store, Chula Vista High Tech High and the University/Innovation District. The Project site supports a healthy living environment with its walkability.

The Projects will consist of 5-story buildings surrounding a parking structure and configured as stacked flat units. 123 units will be offered as one and two-bedroom units for seniors and 87 one to three bedroom units for families.

All 210 units will be available on a rent restricted basis to households whose income is at or below 50 -60 percent (%) of the Area Median Income (AMI) as determined by the U.S. Department of Housing and Urban Development (HUD). The project will be affordable for 55-years and guarantees the availability of such housing and services for the long term. With affordable rents guaranteed, the financial strain on working families and limited income seniors is alleviated.

These Projects will provide a balance of housing opportunities and fulfill a need in Chula Vista for rental housing for seniors and families, particularly in the neighborhoods east of Interstate 805, as outlined in the City of Chula Vista Housing Element (2013-2020).

Income and Rent Restrictions

All units, except for the managers' units, will be restricted and available for occupancy by persons or families whose income does not exceed 30 to 60 percent of the area median income (AMI) for the San Diego Primary Metropolitan Statistical Area. The most restrictive rent and income limits of the applicable funding source is applied to the Projects for a period not less than fifty-five (55) years and ensures long term affordability. The income and rent restrictions are to be incorporated into the Regulatory Agreements, which will be recorded against the properties (Exhibit 2 -Income Limits and Rents).

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, and will bind all subsequent owners of the Projects, so that the commitment remains in force regardless of ownership.

Affordable Housing Financing

Financing and development of the Projects are proposed as joint private-public partnerships. With rents restricted at the affordable levels for the 55-year time period, the net operating income is insufficient to support a loan large enough to cover all the project costs.

The Housing Authority of the City of Chula Vista has expressed its intent to issue private placement bonds to support the majority of the estimated \$59.2 million cost of constructing both projects (see Exhibit 3). Approximate costs per unit are \$249,258 per senior unit and \$221,015 per family unit. The total permanent bond loans are estimated at approximately \$15 million. CIC will apply for approximately \$25.2 million in Low Income Housing Tax Credits.

Table 1: Financing

Description	Permanent Loan (bonds)	Tax Credit	Gap	Total Cost
Senior Housing	8,092,239	13,349,269	9,965,071	31,406,579
Family Housing	7,006,916	11,841,098	8,999,929	27,847,943
TOTAL	\$ 5,099,155	\$ 25,190,367	\$ 18,965,000	\$ 59,254,522

The permanent bonds and tax credits would cover over 68 percent of the estimated cost.

To close the financing gap, CIC has requested direct financial assistance of \$3,000,000 from the City's and Housing Authority's available Low and Moderate Income Housing Asset Fund (the "Housing Asset Fund") balance. These funds would be used to restrict all 210 units of both projects. This equates to an average per unit subsidy of \$14,286 per unit. To further assist the Projects, the City Council will be asked to consider the deferral and/or waiver of the development charges in a total estimated amount of \$2,200,000, as allowed by the City's Municipal Code for affordable housing and economic hardship (see Exhibit 4).

Project Feasibility

Staff has reviewed the proposal and financial pro forma. The estimated project costs are consistent with industry standards and comparable affordable housing developments within the San Diego Region in today's market (see Exhibit 5). Financial assistance and the waiver/deferral of fees are necessary to provide for affordable rents and to achieve lower development costs. The Projects cannot be built without the assistance requested.

As proposed, financial assistance for the Projects equate to an average of \$14,286 per unit and would be able to leverage \$11 in private investment for each \$1 of our local resources. The City's financial assistance is necessary to demonstrate local commitment and leveraging of local funds and secure both bond and tax credit financing.

Available Housing Funds

Direct financial assistance of \$3,000,000 is recommended from the City's HOME and the Balanced Communities funds and the Housing Authority's Housing Asset Funds. In accordance with HUD requirements, the City must also commit \$300,000 of its HOME funds to an eligible housing project by June 30, 2015. With no current plans for the commitment of HOME funds to an eligible project and the approaching deadlines, funding of this project would assist the City in meeting the allocation and expenditure requirements of the HUD funds. It is also recommended to commit the City's 2015/2016 HOME funds. Existing funds are also available from in lieu fees collected under the City's Balanced Communities policy and as a result of loan repayments on existing Housing Authority's (in its capacity as the Successor Housing Entity within the meaning of Health and Safety Code section 34167) loans to other affordable housing projects.

Fee Deferrals and Waivers

With the demise of Redevelopment and shrinking federal HOME funds available for the development of affordable housing, the City has limited resources to encourage the provision of affordable housing to meet the demands of lower income households within the community. As provided by the City's Municipal Code and the Master Fee Schedule, the City Council may waive or defer certain fees and taxes to encourage affordable housing for lower income households or where the applicant may suffer a peculiar economic hardship. The Applicant is requesting the waiver of the Residential Construction Tax and deferral of the Parkland Acquisition and Development, Traffic Signal, Salt Creek Sewer Basin, and Sewer Capacity fees to financially assist the Projects (see Exhibit 4). If these charges were assessed, the additional costs would place a financial constraint to the Projects. The deferral/waiver of these charges is necessary to reduce the development costs and to make the Projects financially feasible. Staff is requesting that these charges be deferred/waived to ensure the Projects' construction for very low and low-income households.

In accordance with CVMC Section 3.45.010(C), a public hearing before the waiving authority is required to consider the waiver or deferral of the Traffic Signal, Salt Creek Sewer Basin and Sewer Capacity fees. A notice of this public hearing was published within the Star News. Notice of said public hearing was given to the Applicant, with no other parties requesting notices of the same.

An existing agreement between the Millenia Real Estate Group and the City regarding the Construction of Parks and the deferred payment of In-Lieu Fees for certain projects within EUC was executed and recorded October 28, 2009 as Document No. 2009-0599389 of Official Records of the San Diego County Recorder (the "Parks Agreement"). As the developer of the affordable housing project, CIC will take responsibility for all payments associated with the project. An amendment to the Parks Agreement is proposed to transfer the obligation to pay the associated deferred park fees for the affordable housing projects to CIC.

Financing Terms

Assistance will be in the form of loans in an amount not to exceed \$3,000,000 using City's HOME and Balanced Communities funds and Housing Authority Housing Asset Fund balances and \$2,200,000 in waived/deferred development charges.

The terms of the City/Housing Authority financial assistance, including the deferred fees ("Fee Deferral"), are as follows:

1. Tenant income shall be certified at occupancy and each year thereafter. Compliance reports shall be submitted to the City on a semi-annual basis.
2. City HOME and Housing Authority loan repayments will be secured by Deeds of Trust and Promissory Notes in favor of the City and its Housing Authority and recorded against the Project properties. The City's and Housing Authority's loans will be junior to the City's Fee Deferral deed of trust.
3. A promissory note secured by a deed of trust will be recorded against each of the projects to secure payment of the deferred fees. The Fee Deferral deeds of trust will be subordinate to the bond financing and the deferred developer fees on each project.
4. The City's and Housing Authority's loan term shall be fifty-five (55) years.
5. The City's Fee Deferral term shall be fifteen (15) years. An extension of an additional 15 year deferral period may be granted by the City Manager or his designee, if necessary, for any remaining balance at the end of the first 15 year term. The extension shall be granted upon extension of the affordability covenants for an additional 15 year period.
6. The outstanding balances for the City's Fee Deferral and the City and Housing Authority loans shall all accrue simple interest at 3 percent per annum. Interest on the deferred fees shall begin to accrue as of the date of the agreement.
7. Payment of principal and interest on the City and Housing Authority loans and the City's Fee Deferral 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. Payments made by CIC from residual receipts will be allocated first to repayment of the deferred fees, until paid in full. Upon the extension of the initial Fee Deferral term, payment of the deferred fees shall be amortized over the 15 year

extended term with payments made on an annual basis.

8. Applicant will be required to operate the Project consistent with the Regulatory Agreement required by the Project's bond and tax credit financing, the covenants imposed by the Loan Agreement, the Affordable Housing Agreement and any other project requirements.

The City and Housing Authority assistance is based upon the assumptions presented by the Applicant. The City and Housing Authority assistance is a maximum level of participation.

Once the Project has obtained its primary financing of bonds and tax credits, the City and its Housing Authority will execute and record the loan agreements, all associated loan documents, Fee Deferral Agreements, and the related security documents, with terms reviewed by the City Attorney's office and satisfactory to the City.

City/Housing Authority Risks and Mitigation Measures

To assist with the development costs of the Projects, the City and its Housing Authority, will be providing Applicant with a total of \$5,200,000 in financial assistance in the form of \$3 million in loans and \$2.2 million in deferred/waived development charges. There are associated risks in loan transactions which the City and its Housing Authority needs to be cognizant and measures to be incorporated into the transaction to reduce these risks:

1. No Repayment of the City/Housing Authority Loans and City Fee Deferral

Repayment of the loans and the deferred fees will be made from the residual receipts, which is the amount left over after all expenses are deducted from the income received. It is possible that the City and its Housing Authority will not receive total repayment of the loans and deferred fees.

Mitigation: In evaluating a proposed project, staff evaluates the applicant, development team and the proposed owner/borrowing entity for their experience, expertise and capacity to adequately develop and manage the project and the project's financial feasibility, including development costs, debt structure, sources and uses, and operating proforma.

Likelihood of success of the Millenia senior and multifamily developments and their continued operation as affordable housing is high. Given the significant demand for these affordable units and the low vacancy rates, the revenue base is very reliable. The loan to value, debt coverage ratios and operating costs of the Projects are typical of similar projects. Cash flow analysis demonstrates the Projects' ability to repay the loans and the deferred fees. Furthermore, payment of the City's and Housing Authority's loans and the deferred fees will be secured by the execution of promissory notes and deeds of trust to be recorded against each of the Projects' property.

Applicant has significant experience and an excellent track record with this type of development project. The City has no outstanding issues related to its monitoring of CIC owned and operated developments in Chula Vista and receives payment on its existing loans. Should problems occur, the City and its Housing Authority will be involved with CIC to assure proper handling.

2. Subordination of City/Housing Authority Loans and City Fee Deferral

It is anticipated that the City and Housing Authority Loans, Fee Deferral and the Affordable Housing Agreement's covenants will be subordinate to the Bond financing. Should the Applicant

or a subsequent owner be unable to perform under the conditions of the Bond Indenture, or the Agreement, Regulatory Agreement, the City and the Housing Authority may need to cure any loan defaults or lose the affordability restrictions on the Projects.

Mitigation: The presence of other major financial commitments, such as tax credit investments, means that other stakeholders depend on the short and long-term success of the Projects. By its nature, affordable housing presents some, but very limited market risk because of the deeply discounted rents. Lastly, while the City and Housing Authority are vulnerable because of the subordinate financing, it is necessary in order to obtain the senior financing.

Eastern Urban Center (EUC) Affordable Housing Program Amendment

To provide for the growing need of affordable housing to limited income seniors, an amendment to the EUC Affordable Housing Program is also proposed. The amendment would increase the ability to provide for additional senior housing within the area, raising the percentage of low income housing to be made available for seniors from 25 percent to 33 percent in the EUC. Additional revisions are also proposed to provide consistency in the requirements for moderate income households with State requirements and Council Policy 453-02 for the development of affordable for-sale housing for low and moderate-income households.

Article XXXIV

Article XXXIV of the California Constitution (Article 34) requires that voter approval be obtained before any “state public body” develops, constructs or acquires a “low rent housing project”. The City of Chula Vista obtained voter approval on April 11, 1978 and subsequently on November 6, 2006 with the passage of Proposition C, which authorized the development, construction and acquisition of housing for persons of low-income. With the 210 total units of the proposed Projects, there remains a balance of 1,375 units under the City’s current authority to facilitate these activities.

Conclusion

The requested actions will direct staff and the City Manager to take the following actions to meet applicable requirements for the use of HOME and Housing Authority funds:

- Commit \$800,000 of HOME funds, including \$300,000 and \$500,000 from the City’s 2014/2015 and 2015/2016 respective Action Plans;
- Enter into all necessary agreements, contingent on the terms listed above, including but not limited to development loan agreements, all associated loan documents, a fee deferral agreement and related security instruments, and regulatory agreements to commit, an amount not-to-exceed \$800,000 in HUD HOME funds, \$1,827,340 in Housing Authority Housing Asset Funds, and the deferral and waiver of approximately \$2,200,000 in Traffic Signal, Salt Creek Sewer Basin, Sewer Capacity and Parkland Acquisition and Development Fees and the Residential Construction Tax.

Staff recommends approval of the City and Housing Authority resolutions based upon the following:

- The Projects offer opportunities to provide quality affordable housing to Chula Vista’s working families and seniors and in a location within walking distance to neighborhood services, employment centers and transportation links.
- It is effective in serving the City’s housing needs and priorities as expressed in the Housing

Element of the General Plan and the HUD Consolidated Plan.

- The Applicant has a proven track record in the development and operation of affordable housing within Chula Vista and California and securing the necessary public and private financing.
- The requested financial assistance, in an amount not-to-exceed \$3,000,000 from the City's HOME and Balanced Communities In Lieu funds and the Housing Authority's Housing Asset Fund and \$2,200,000 in fee deferrals and waivers, provides a significant leveraging of the City's resources and is necessary to obtain primary financing for the Projects.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council and Housing Authority and has found no property holdings within 500 feet of the boundaries of the property which is the subject of this action. Staff is not independently aware, and has not been informed by any City Council or 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 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 provision of a total of 210 rental units within the Millenia community will expand 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 development of affordable housing addresses the City's Connected Community goals as it provides housing to meet residents' needs and priorities.

CURRENT YEAR FISCAL IMPACT

The financial assistance of \$3,000,000 is available from the City's allocation of HOME Investment Partnership grant and Balanced Communities In Lieu funds and the Housing Authority's Housing Asset Funds. There is no fiscal impact in the current fiscal year. The City and Housing Authority will recommend allocating these funds as part of the City Manager's Fiscal Year 2015/2016 proposed budget. There is no financial impact to the City's General Fund as the project and staff costs are covered by the available HUD grants and Housing Asset Fund balance.

No certificates of occupancy will be issued prior to June 30, 2015. Therefore, the proposed fee waivers and deferrals have no impact in the current fiscal year.

ONGOING FISCAL IMPACT

City/Housing Authority Loans

Staff costs associated with monitoring compliance of the regulatory restrictions and administration of the outstanding bonds will be reimbursed from an estimated annual administrative fee of approximately \$45,000 for both projects (based upon 1/8 of 1% of the permanent bond loan) to be paid to the Housing Authority by the Applicant.

Upon approval of the resolutions committing Housing funds to CIC for an amount not-to-exceed \$3,000,000, the funding for these Projects will be included in the City Manager's Fiscal Year 2015/2016 proposed budget, as referenced in Table 2.

Table 2: City/Housing Authority Funding Sources

Source	\$ (estimate)
FY 15 HOME funds	\$300,000
FY 16 HOME funds (precommitment)	\$500,000
Low/Moderate Income Housing Funds	\$1,827,340
Balanced Communities In Lieu Funds	\$372,660
TOTAL	\$3,000,000

The use of Housing Asset Fund balances in reserve will result in a negative fiscal impact. However, these funds are intended to be used for the development and provision of affordable housing opportunities.

City Fee Deferrals/Waivers

Under the schedules currently in effect, the project would be subject to a total of \$17,243 in combined Traffic Signal, Salt Creek Sewer Basin, Sewer Capacity, and Parkland Acquisition & Development (PAD) fees per unit. The Residential Construction Tax (RCT) varies by the number of bedrooms associated with each unit, with an average tax due for this project of \$264 per unit.

Waiver in full of the RCT is recommended, for a total fiscal impact of \$55,325. Deferral in full of the project's Traffic Signal, Salt Creek Sewer Basin, and Sewer Capacity fees is also recommended, totaling \$826,295. Lastly, a partial deferral of PAD fees totaling \$1,318,380 is recommended, increasing the total package of waivers and deferrals to \$2.2 million, as summarized in Table 3 below. The average combined fee waiver and deferral per unit totals \$10,476.

Table 3: City Fee Deferrals/Waiver

Description Units	Traffic Signal	Salt Creek Sewer	Sewer Capacity	PAD	Total Deferred	RCT Waiver	Total Waived & Deferred
Fee per Unit n/a	\$ 212	\$ 998	\$ 2,726	\$ 13,308	\$ 17,243	Varies	n/a
Deferral per ln/a	\$ 212	\$ 998	\$ 2,726	\$ 6,278	\$ 10,213	100%	\$ 10,476
Senior Housi123	\$ 26,044	\$ 22,692	\$ 335,237	\$ 773,248	1,257,221	\$ 31,350	1,288,571
Multifamily 87	\$ 18,421	\$ 86,782	\$ 237,119	\$ 545,132	\$ 887,454	\$ 23,975	\$ 911,429
Project Total	\$ 44,465	\$ 209,474	\$ 572,356	1,318,380	2,144,675	\$ 55,325	2,200,000

The deferred funds will accrue simple interest at the rate of 3% per year (\$64,340 combined, annually). This mechanism is intended to mitigate lost investment earnings and future fee program capital cost increases.

The deferral and waiver of development charges delays the collection of funds for delivery of the respective fee program facilities.

ATTACHMENTS

1. Locator Map
2. Income Limits and Rents
3. Proforma Analysis
4. City and Housing Authority Financial Assistance
5. Cost of Affordable Housing
6. Eastern Urban Center Affordable Housing Program Amendment.
7. First Amendment to Parks Agreement

Staff Contact: Leilani Hines, Housing Manager