



City of Chula Vista

Staff Report

File#: 14-0684, **Item#:** 17.

CONSIDERATION OF THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS WITH RESPECT TO PROPOSED FINANCING OF THE DEVELOPMENT OF A 126-UNIT SENIOR AND 84-UNIT AFFORDABLE HOUSING DEVELOPMENT IN THE MILLENIA COMMUNITY

- A. RESOLUTION NO. 2014-256 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS OF THE HOUSING AUTHORITY OF THE CITY OF CHULA VISTA FOR MILLENIA SENIOR AFFORDABLE APARTMENTS
- B. RESOLUTION NO. 2014-006 OF THE HOUSING AUTHORITY OF THE CITY OF CHULA VISTA REGARDING ITS INTENTION TO ISSUE TAX-EXEMPT OBLIGATIONS FOR A PROPOSED DEVELOPMENT OF THE MILLENIA SENIOR AFFORDABLE APARTMENTS
- C. RESOLUTION NO. 2014-257 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS OF THE HOUSING AUTHORITY OF THE CITY OF CHULA VISTA FOR MILLENIA AFFORDABLE APARTMENTS
- D. RESOLUTION NO. 2014-007 OF THE HOUSING AUTHORITY OF THE CITY OF CHULA VISTA REGARDING ITS INTENTION TO ISSUE TAX-EXEMPT OBLIGATIONS FOR A PROPOSED DEVELOPMENT OF THE MILLENIA AFFORDABLE APARTMENTS

RECOMMENDED ACTION

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

SUMMARY

Chelsea Investment Corporation (CIC) and McMillin Land Development have proposed the development and construction of a 126-unit and 84-unit affordable housing development for low income senior and family households, respectively, known as Millenia Senior and Family Affordable Apartments ("Project"). The Project is 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. To finance the Project, CIC is requesting that the Housing Authority of the City of Chula Vista be the conduit bond issuer for an aggregate amount of \$38 million in tax exempt private activity bonds for multifamily projects. The bonds will be secured by the project and will not constitute a liability to or obligation of the City of Chula Vista or Housing Authority.

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 proposed project was

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adequately covered in previously adopted Final Second Tier Environmental Impact Report, EIR 07-01. Therefore, no further CEQA review or documentation is necessary.

BOARD/COMMISSION RECOMMENDATION

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

DISCUSSION

The City of Chula Vista and its Housing Authority received a request from Chelsea Investment Corporation (CIC or Applicant) to consider issuance of up to \$38 million in private activity bonds for multi-family projects to support the construction of a 126 units of senior and 84 units of family rental housing ("the Project") within Otay Ranch Eastern Urban Center (Exhibit 1 - Locator Map). The Project is proposed to satisfy the Balanced Communities Affordable Housing obligation

The Applicant is currently preparing an application for both the California Debt Limit Allocation Committee (CDLAC) and the California Tax Credit Allocation Committee for bonds and Tax Credits to substantially finance the Project. The CDLAC application will be submitted in March 2015.

At this time, staff is requesting that the Chula Vista Housing Authority express its preliminary intent to apply for and issue bonds for the Project. The City Council is also asked to hold a public hearing to consider the Housing Authority's issuance of tax exempt bonds for the financing of the Project at such time a bond allocation is received.

The requested actions are preliminary and do not commit the Authority to issue the bonds. Such preliminary actions are requirements for application to the State bonding authority which will allow CIC to receive reimbursement out of bond proceeds for costs it incurs leading up to the actual sale of the bonds. If successful in obtaining a bond commitment from CDLAC, CIC will come back to the Authority to request final approval of the necessary documents for the issuance of the bonds.

Resolutions presented for the City Council's and Housing Authority's consideration have been prepared by Stradling Yocca Carlson & Rauth, serving as bond counsel for the City of Chula Vista and its Housing Authority.

The Applicant

Chelsea Investment Corporation (CIC) has developed several projects in Chula Vista, primarily in eastern Chula Vista, to satisfy 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

Millenia Affordable Housing development will be built within the Otay Ranch EUC subdivision of Chula Vista. As the urban heart of Otay Ranch, the EUC will contain the largest concentration of retail, employment, residential, civic and cultural uses.

The Project site is located near the southwest corner of Birch Road and Eastlake Parkway and will provide future

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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, less than a 1/3 mile is Otay Ranch Town Center, across the street is a grocery store, and within 1/3 mile are Chula Vista High Tech High and the University/Innovation District encouraging. The Project site supports a healthy living environment with its walkability.

The Project will consist of a 5-story building with wrap around parking. The 210 affordable units are configured as stack flat units. 124 units will be offered as one and two-bedroom units for seniors and 86 one-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 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.

This project 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

Units are required to 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 for the Project for a period not less than fifty-five (55) years, exceeding the 30-year term of the bonds, and ensures long term affordability. The income and rent restrictions are to be incorporated into the Regulatory Agreement, which will be recorded against the property (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 Millenia Affordable Housing, so that the commitment remains in force regardless of ownership.

Affordable Housing Financing

CIC has requested that the Housing Authority of the City of Chula Vista consider the issuance of \$38,000,000 million in private placement bonds to support the majority of the estimated \$59 million (\$280,300 per unit) cost of constructing the project. The tax exempt bonds will provide construction and permanent loans for both the senior and family developments (\$21,019,000 for the senior and \$16,981,000 for the family development). CIC will also apply for approximately \$24.7 million in Low Income Housing Tax Credits.

Upon allocation of a bond commitment from CDLAC, the final approval of the issuance of the bonds and the related bond documents will be presented to the Housing Authority.

Conclusion

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

- The Project offers opportunities to provide quality affordable housing to Chula Vista's working families 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.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council and Housing Authority and has found no property holdings

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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 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 provision of 210 rental units within the Otay Ranch EUC 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

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. All costs related to the issuance of the bonds will be paid from bond proceeds or profits. The bonds will be secured by the project and will not constitute a liability to or obligation of the City of Chula Vista or Housing Authority.

The City of Chula Vista Housing Authority will receive compensation for its services in preparing the bond issuance by charging an origination fee of 1/8 of 1% of the bond loan, approximately \$47,500.

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 approximately \$45,000 (based upon 1/8 of 1% of the permanent bond loan) paid to the Housing Authority by the owner.

ATTACHMENTS

1. Locator Map
2. Income Limits and Rents

Staff Contact: Leilani Hines, Housing Manager