



**HOUSING &  
HOMELESS SERVICES**

# Item 7.1

## Otay Ranch Apartments/Encelia

Presented by:

**Bradley R. Neal**, Stradling Yocca Carlson & Rauth

**Michelle Ito**, Meta Housing

# Housing Authority Multi-Family Bonds

- Law authorizes local governments to issue mortgage revenue bonds (“Bonds”) to finance development, acquisition, construction and rehabilitation of multifamily housing rental projects.
  - Must set aside a percent of units to affordable either 50% or 60% AMI
  - Usually restricted for 55 years
- Bond Interest is exempt from federal and state taxation, providing below market financing for qualified projects.
- Administered by the Housing Authority with no direct liability of the City.
  - Security for repayment of the bonds is limited to project revenue.
  - Program is self-supporting with the owner responsible for the payment of all costs.

Hshold Size	Very Low Income <b>50%</b>			<b>60%</b>		
	Annual Income	Monthly Income	30.00% Monthly	Annual Income	Monthly Income	30.00% Monthly
ONE	\$45,550	\$3,796	\$1,138	\$54,650	\$4,554	\$1,366
TWO	\$52,050	\$4,338	\$1,301	\$62,450	\$5,204	\$1,561
THREE	\$58,550	\$4,879	\$1,463	\$70,250	\$5,854	\$1,756
FOUR	\$65,050	\$5,421	\$1,626	\$78,050	\$6,504	\$1,951
FIVE	\$70,300	\$5,858	\$1,757	\$84,300	\$7,025	\$2,107
SIX	\$75,500	\$6,292	\$1,887	\$90,550	\$7,546	\$2,263
SEVEN	\$80,700	\$6,725	\$2,017	\$96,800	\$8,067	\$2,420
EIGHT	\$85,900	\$7,158	\$2,147	\$103,050	\$8,588	\$2,576



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# Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”)

City must hold a public hearing to provide the public an opportunity to comment on the use of the tax-exempt funds to finance the Project prior to the issuance of the tax-exempt obligations.

**PUBLIC NOTICE CITY OF CHULA VISTA  
NOTICE OF PUBLIC HEARING  
REGARDING EXECUTION AND DELIVERY OF  
MULTIFAMILY HOUSING REVENUE NOTES**

NOTICE IS HEREBY GIVEN that, at its regular meeting to be held at 5 p.m. on Tuesday, March 28, 2023, at the City Council Chambers of the City of Chula Vista, California (the “City”) located at 276 Fourth Avenue, Chula Vista, California 91910, the City Council of the City (the “City Council”) will conduct a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986, as amended, at which the City Council will hear and consider information concerning the execution and delivery by the Housing Authority of the City of Chula Vista (the “Authority”) of multifamily housing revenue notes (the “Notes”) for a proposed residential development. The proceeds from the sale of the Notes, if executed and delivered, are intended to be used to provide additional financing for the development of 175 affordable units known as “Otay Ranch Apartments” and “Encelia” (the “Project”). Otay Ranch Apartments will be located east of La Media Parkway and bounded by Main East Street and Main West Street within the Otay Ranch Escaya master planned community. The Project will be developed, owned and operated by Otay Affordable I V8, L.P., a California limited partnership (the “Developer”).

The Notes (if any are executed and delivered) will be executed and delivered in an aggregate principal amount not to exceed \$4,000,000 for Otay Ranch Apartments. The Notes for the Project may be executed and delivered in one or more series. The Notes will not constitute a debt or obligation of the Authority, the City of Chula Vista, the State of California, or any other public body, or to be in any way payable from taxes or other public funds.

If the Notes are executed and delivered, by law, at least 10 percent of the rental units in the Project is required to be available for occupancy by persons or families whose income does not exceed 50 percent of the median income for the San Diego, California Primary Metropolitan Statistical Area (the “Area”), and an additional 30 percent of the rental units are required to be available for occupancy by persons or families whose income does not exceed 60 percent of the median income for the Area, in each case at affordable rents established by applicable State law. It is expected that the Authority will require that all but two of the units in the Project be made available to low-income persons.

ALL PERSONS HAVING ANY INFORMATION RELEVANT TO THE PROPOSED EXECUTION AND DELIVERY OF THE NOTES DESCRIBED ABOVE ARE HEREBY INVITED TO APPEAR AT THE TIME AND PLACE MENTIONED ABOVE TO PRESENT SUCH INFORMATION TO THE CITY COUNCIL.

If you wish to challenge the City’s action on the matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City Clerk’s Office at or prior to the public hearing.

For further information, contact Stacey Kurz, Director of Housing & Homeless Services, at (619) 585-5609.

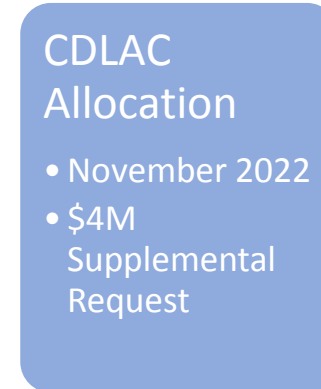
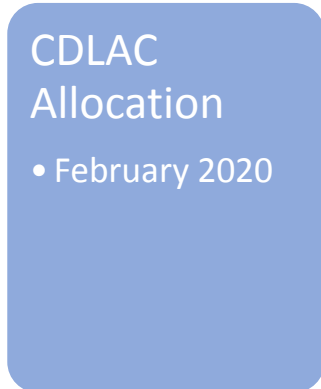
**COMPLIANCE WITH AMERICANS WITH DISABILITIES ACT (ADA)**

The City, in complying with the Americans with Disabilities Act, requests individuals who require special accommodation to access, attend and/or participate in a City meeting, activity or service request such accommodation at least 48 hours in advance for meetings, and 5 days for scheduled services and activities. Please contact the City Clerk’s Office for assistance at (619) 691-5041. Service for the hearing impaired is available at (619) 585-5647 (TDD).

DATED: March 15, 2023

4857-0484-2066v3/024036-0096

# Otay Ranch Apartments / Encelia



Project Costs Estimated at \$73.5 M

Project Costs Estimated at \$80.2 M

- Errata 3/27/23 - The most recent update to the Borrower's pro forma indicated an increase in the supplemental taxable borrowing from a previously estimated \$870,000 to \$1,436,683. As a result, Staff is recommending an increase in the not to exceed par of taxable Notes to \$1,500,000.
- Attachment 3 - While the taxable bond amount has increased, it will be paid down in full at conversion. There is no effect on the permanent loan. The public benefits remain the same, therefore Attachment 3 has not been updated.



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# ENCELIA

CÔTA VERA

Meta Housing Corporation

City Council

March 28, 2023



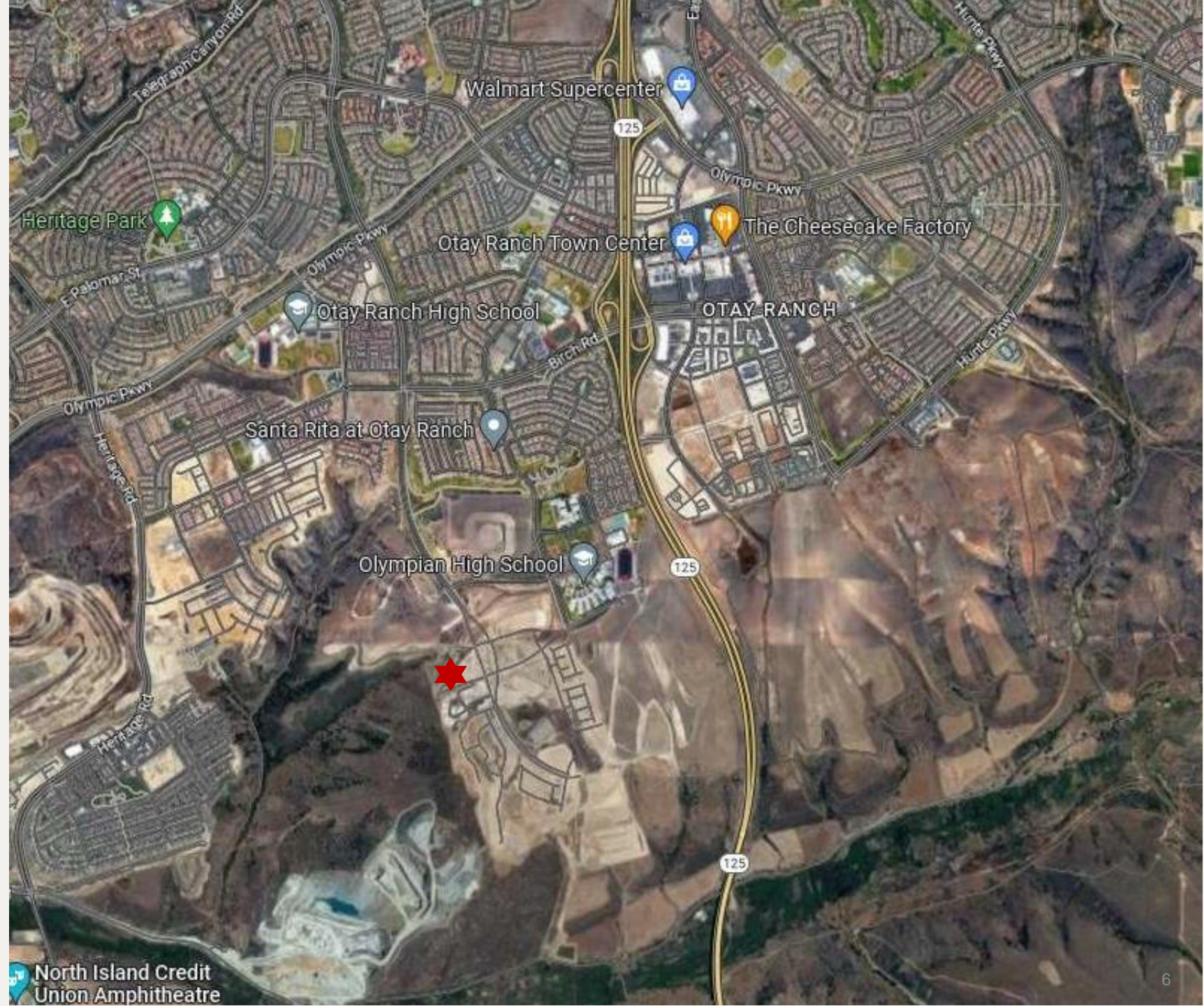


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# Project Location

Located within Otay Ranch,  
Village 8 West

Off La Media Road @ 1910  
Encelia Circle





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# Project Summary

Three buildings

175 units

Approx. 10,000 sq. of commercial

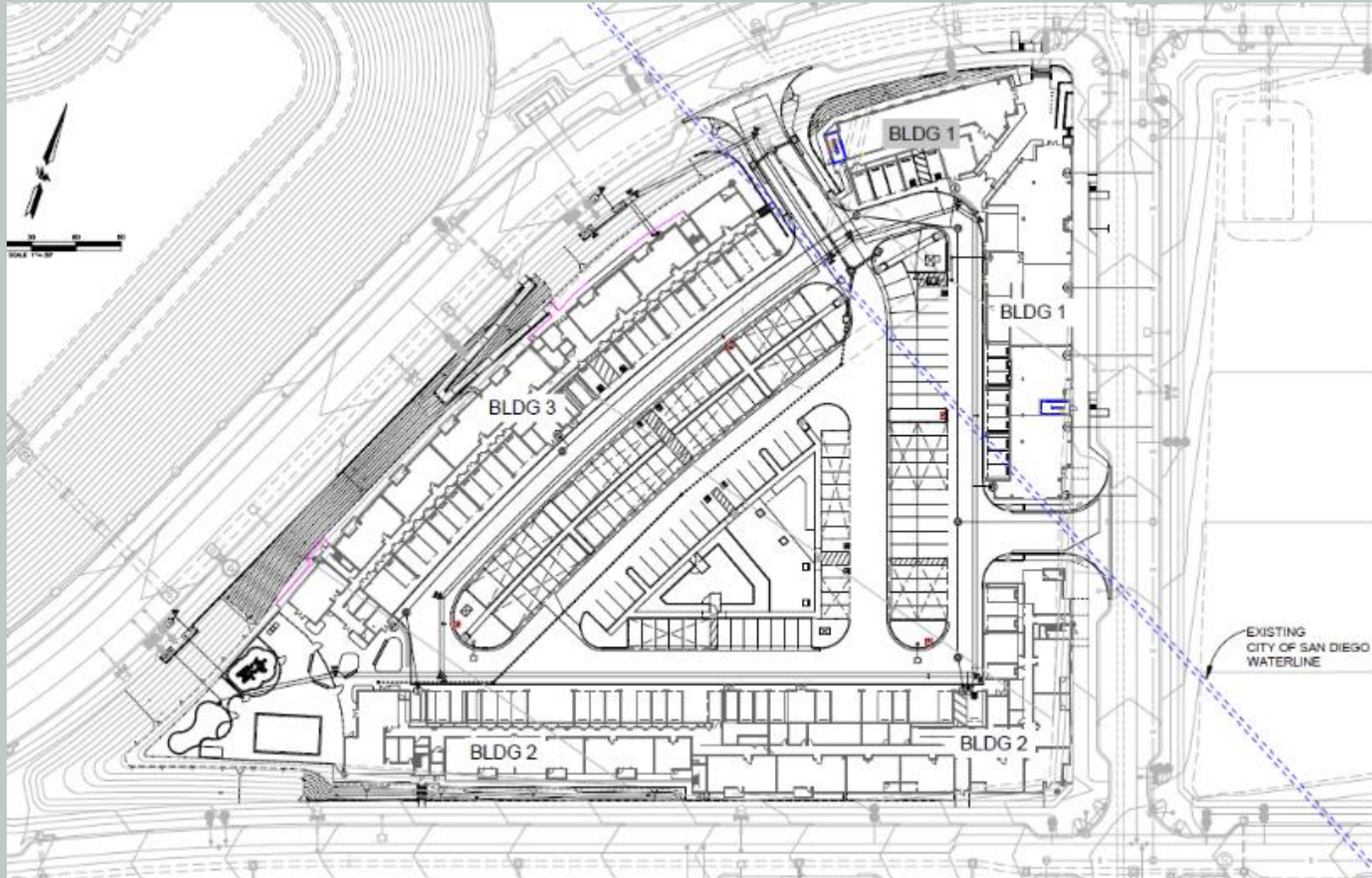
Low income rents range between 50-60% AMI

\$1,220 - \$2,030 (*March 2023*)

Amenities: community rooms, teen lounge, dog park, tot lot, half basketball court, and more.



# Master Development Sitework





# Project Timeline

Project Milestone	Planned Timeline	Actual Timeline
Apply for bonds + tax credits	Sept. 2019	Sept. 2019
Close Financing	Dec. 2020	Dec. 2020
Start Construction of Building 2	March 2021	June 2021
Completion of Master Development Sitework	April 2021	Jan. 2022
Start Construction of Buildings 1 & 3	April 2021	Feb. 2022

# Major Development Impacts

## Applied for tax-exempt bonds & tax credits in Fall 2019

- Our application did not anticipate the historic market volatility caused by the COVID-19 pandemic.

## Delayed completion of master development sitework

- Subcontractors could not hold their original pricing from 2020 with their suppliers. The Project absorbed significant material cost increases.

## Rising interest rates

- Rapid increases in interest rates have far exceeded the Project's interest reserve that was budgeted in 2020.



# Supplemental Tax-Exempt Bonds

Under Internal Revenue Code (IRC) Section 42(h)(4)(B), qualified residential rental projects applying for tax-exempt bonds can receive the 4% LIHTC under IRC Section 42 on 100% of the qualified low-income units if the project is financed at least 50% with tax-exempt bonds from a state's bond volume cap.

# Recent Construction Photos



Aerial photo taken in January 2023





# Recent Construction Photos

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# Anticipated Timeline

Building (Number of Units)	Construction Completion	Lease-Up
Building 2 (82 units)	June 2023	July 2023
Building 1 (49 units)	Sept. 2023	Oct. 2023
Building 3 (44 units)	Oct. 2023	Nov. 2023



## Contact Info:

Michelle Ito

(310) 575-3543 x 151

[mito@metahousing.com](mailto:mito@metahousing.com)



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# Item 7.1 Recommended Action

Hold a Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”) public hearing.

Adopt:

**Resolution A (of the City Council)** approving the sale, execution, and delivery of additional multifamily housing revenue notes of the Housing Authority of the City of Chula Vista for Otay Ranch Apartments; and

**Resolution B (of the Housing Authority)** authorizing the sale, execution, and delivery of a tax-exempt multifamily housing revenue note in an aggregate principal amount not to exceed \$4,000,000 and a taxable note in the amount up to \$1,500,000 for the purpose of financing a portion of construction costs of the Otay Ranch Apartments multifamily rental housing project; approving and authorizing the execution and delivery of any and all documents necessary to execute and deliver the notes, complete the transaction and implement the resolution, and ratifying and approving any action heretofore taken in connection with the notes.