



# CITY COUNCIL STAFF REPORT



June 11, 2024

## ITEM TITLE

Housing Funding: Approve up to \$4 Million for a Permanent Supportive Housing Development to be Located at 610 Paseo Del Rey

**Report Number:** 24-0189

**Location:** 610 Paseo Del Rey

**Department:** Housing and Homeless Services

**G.C. § 84308:** Yes

**Environmental Notice:** The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act (CEQA) State Guidelines. Therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required. Notwithstanding the foregoing, the activity qualifies for an exemption pursuant to Section 15061(b)(3) of the California Environmental Quality Act State Guidelines. Under National Environmental Policy Act, Federal funds constitute a portion of the proposed loan for construction of the affordable housing project. A final reservation of federal funds shall occur only upon satisfactory completion of the environmental review and receipt by the City of Chula Vista and a release of funds from the United States Department of Housing and Urban Development ("HUD") under 24 CFR Part 58 of the National Environmental Policy Act ("NEPA").

## Recommended Action

Adopt resolutions approving loans totaling \$4,000,000 to Wakeland Housing and Development Corporation, or an affiliated entity, to assist in the construction of a 96-unit affordable housing development to be located at 610 Paseo Del Rey, and authorizing the City Manager or her designee to negotiate and execute all documents related to the loans in a form approved by the City Attorney's office, as follows: A) City Council approving a loan of up to \$631,189.55 in HOME Investment Partnerships Program ("HOME") funds and \$2,668,810.45 in HOME Investment Partnerships American Rescue Plan Program ("HOME-ARP") funds; and B) Chula Vista Housing Authority ("Housing Authority") acting as the Housing Successor Agency approving a loan of up to \$700,000 from the Housing Asset Fund and appropriating funds for that purpose. **(4/5 vote required)**

## SUMMARY

In March 2024, the City of Chula Vista (“City”) issued a Request for Proposals (“RFP”) for the development and operation of Permanent Supportive Housing (“PSH”), which combines long-term affordable housing with supportive services and other resources for formerly homeless individuals and families. In response, Wakeland Housing and Development Corporation (“Wakeland”) submitted a funding request for a 96-unit affordable development, including 48 units designated as PSH, to be located at 610 Paseo Del Rey. The submittal has been determined to meet all minimum requirements and scored well on the City’s competitive evaluation criteria, and staff recommends approval. This action would approve \$4,000,000 in entitlement funds from the U.S. Department of Housing and Urban Development (“HUD”) and funds held by the Housing Authority acting as the Housing Successor Agency.

## ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. This determination is also predicated on Section 15004 of the State CEQA Guidelines, which provides direction to lead agencies on the appropriate timing for environmental review. This action does not constitute approval of a project. The proposed action is approval of a loan for construction of the affordable housing project, but such loan is contingent upon subsequent completion of the environmental review in accordance with CEQA Section 15004, to the extent necessary. This action will not foreclose review of alternatives or mitigation measures by the public as part of the CEQA process. Notwithstanding the foregoing, the activity qualifies for an exemption pursuant to Section 15061(b)(3) of the California Environmental Quality Act State Guidelines.

Under NEPA, Federal funds constitute a portion of the proposed loan for construction of the affordable housing project. A final reservation of federal funds shall occur only upon satisfactory completion of the environmental review and receipt by the City of Chula Vista and a release of funds from the United States Department of Housing and Urban Development (“HUD”) under 24 CFR Part 58 of NEPA.

## BOARD/COMMISSION/COMMITTEE RECOMMENDATION

The Housing and Homeless Advisory Commission reviewed the funding request on May 8, 2024, and provided an advisory recommendation by a vote of 6-0 to approve staff’s recommendation to approve the funding.

## DISCUSSION

### Competitive Selection Process for Permanent Supportive Housing Projects

PSH is a form of housing that pairs long-term housing with low barriers to entry at an affordable cost with intensive supportive services designed to address the individual needs of residents. PSH is widely considered a best practice for ensuring the long-term stability of chronically homeless individuals, especially those in need of treatment for substance dependency or mental health challenges. In 2023, the City announced its intention to provide funding for one or more PSH developments. The City used a two-step selection process to screen proposals for new construction of projects with a PSH component. It first issued a Request for

Qualifications (“RFQ”), followed by a Request for Proposals (“RFP”). The RFQ for development teams to construct, rehabilitate, and/or operate PSH was issued on July 24, 2023 and concluded on August 24, 2023. The purpose of the RFQ was to evaluate general organizational experience and capacity rather than project-specific proposals. The evaluation criteria included developer experience, service provider experience, and experience financing affordable housing projects.

Four organizations submitted responses to the RFQ: Wakeland, PATH Ventures (PATH), Milestone Housing Group, LLC (Milestone), and RPM JT2 Horizon. An ad hoc committee of City staff members evaluated the proposals and determined that three of the four organizations (Wakeland, Path, and Milestone) met the minimum criteria for qualifications.

The RFP to select a partner for new construction of PSH was then issued on March 11, 2024. The RFP evaluation criteria included a set of minimum threshold criteria as well as competitive scoring criteria. The threshold criteria was set in order to ensure that project submittals are complete and responsive; that projects have a viable financing plan and a clear path to obtaining planning entitlements; that projects set aside a portion of units to PSH, and the PSH units provide appropriate services and rental assistance to the targeted population; and that projects are eligible to receive HOME funds, including HOME funds set aside for CHDOs. A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves. In order to qualify for designation as a CHDO, the organization must meet certain requirements pertaining to their legal status, organizational structure, and capacity and experience.

For all projects that met the threshold criteria, the competitive evaluation portion consisted of the following criteria, ranked on a scale of 0-100:

- PSH (25 points) – Up to 15 points were awarded to projects based on the number of PSH units provided. Up to 10 additional points were awarded based on the quality, detail, and readiness of the supportive services plan.
- Geographic Equity (25 points) – Up to 15 points were awarded to projects located in “highest resource,” “high resource,” or “moderate resource” areas, according to [opportunity maps](#) published by the California Tax Credit Allocation Committee (“CTCAC”). Up to 10 additional points were awarded based on projects’ proximity to amenities such as transit service, parks, libraries, public schools, grocery stores, and medical clinics.
- Project Readiness (25 points) – Up to 15 points were awarded to projects based on how close they were to obtaining land use approvals. Up to 10 additional points were awarded to projects that had received financing commitments from other public agencies or private lenders.
- Project Cost (10 points) – Up to 5 points were awarded based on the amount of City funding being sought per unit, and an additional 5 points could be awarded to projects that could demonstrate a viable plan to ensure development cost savings through innovative construction or entitlement techniques.
- Developer experience (5 points) – Up to 5 points were awarded based on an assessment of the developer’s experience and capacity to deliver a completed project.
- General Proposal Quality (10 points) – Up to 10 points were awarded based on a holistic assessment of the submittal’s thoroughness, attention to detail, and overall quality.

The RFP concluded on April 9, 2024. Wakeland was the sole organization to submit a response, on behalf of its project located at 610 Paseo Del Rey. Staff’s initial review found that the submittal was substantially

responsive but required clarification or additional information in a handful of areas. Staff submitted a set of follow-up questions for Wakeland, and Wakeland provided satisfactory written responses to these questions shortly thereafter.

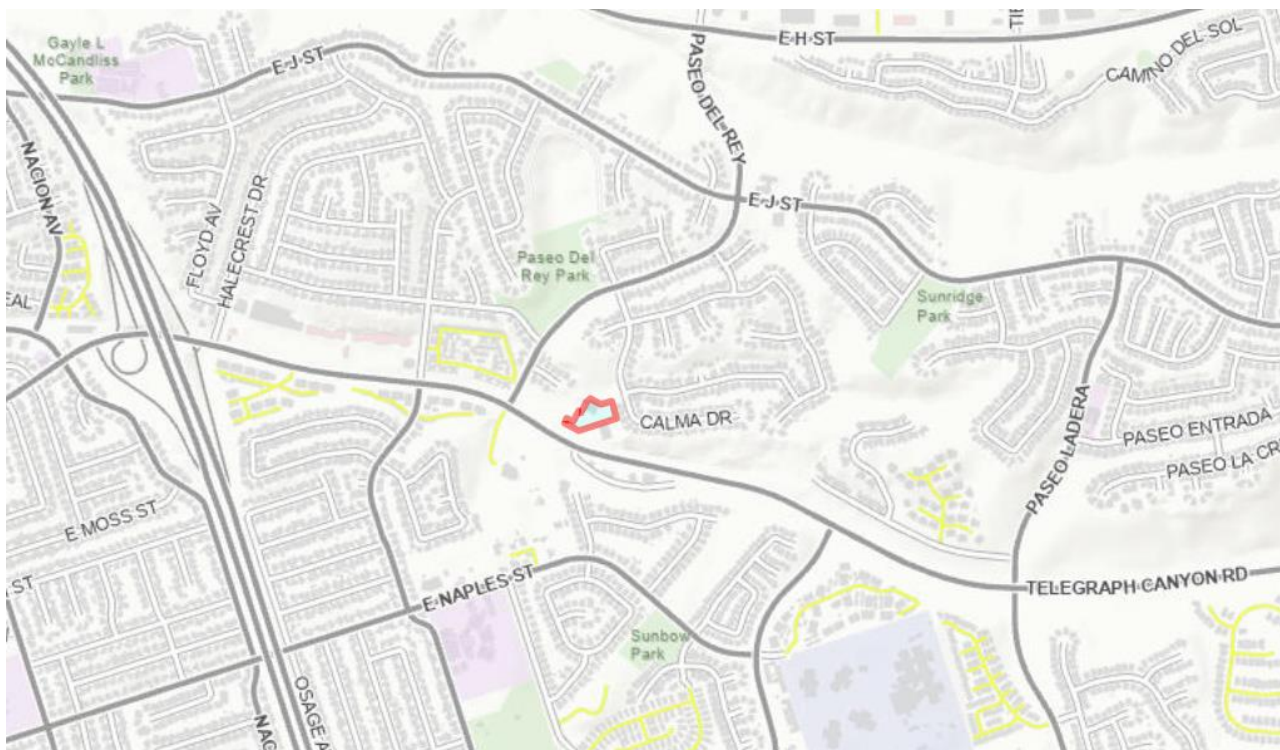
## Project Details

The Project as proposed consists of 96 units, including 95 affordable units and one manager's unit. Of these, 48 units would be designated as PSH and the remainder would be restricted to households at 60% of Area Median Income ("AMI"), currently a family of four earning \$90,900 or less. The Project would consist of a mix of studios and 1-, 2-, and 3-bedroom units, with the PSH units being studios and 1-bedroom units. (This is appropriate, since households qualifying for PSH units are typically composed of one or two people.)

Wakeland owns the property that the Project will be located on and has demonstrated that the site may be developed at the desired intensity. The Project site is just over three acres in size and is located in an area zoned as R-3-P10 – Apartment Residential Zone, which would allow for up to 10 units per acre. However, the Project can take advantage of Density Bonus law (California Government Code Section 65915 et seq.) to achieve the desired 96 units. It would also use a state streamlining law, [AB 2162](#), to bypass the discretionary entitlement process and secure permits ministerially.

The Project is located in District 2, at the northeast corner of Paseo del Rey and Telegraph Canyon Road, shown below in Figures 1. According to CTCAC's opportunity map classification system, it is located in a "low resource" area, so it did not earn points for that portion of the evaluation criteria. However, it is situated within a half-mile or less of various amenities, including multiple bus stops, Paseo Del Rey Park, Rogers Elementary School, 99 Ranch Market grocery store, and a Rite Aid Pharmacy and is located in an area that does not currently have any other affordable units for families or individual adults. The nearest affordable complex is Villa Serena Senior Apartments, located 1.5 miles away at 1231 Medical Center Drive.

**Figure 1: Project location**



The 48 PSH units would consist of 25 units for veterans experiencing homelessness (supported by [HUD-VASH](#) Vouchers) and 23 units for persons with a serious mental illness who are experiencing homelessness (supported by vouchers in connection with the California Department of Housing and Community Development's [No Place Like Home](#) program), both already awarded to the project. Supportive services would be provided by the County of San Diego Health and Human Services agency and the VA San Diego Health Care System. Additionally, Wakeland would employ an onsite Wellness Coordinator to oversee the service needs of all residents, identify unmet needs, and connect residents with outside resources. Supportive services will include mental health care, treatment for substance dependency, medication management, linkage for attendant care for eligible residents, and other resources. Wakeland, along with its selected property management company, ConAm Management Corporation, has experience managing over 1,000 units of PSH. The voucher commitments for the PSH units will provide a critical subsidy for the successful ongoing operation of the Project.

The total development cost for the Project is projected to be approximately \$53 Million, or approximately \$550,000 per unit. (Given the various labor, financing, and accessibility requirements associated with affordable housing development, this is a cost-efficient sum.) In addition to project-based voucher commitments for the 48 PSH units, the Project has been awarded \$3,000,000 of funds from the County of San Diego through the Innovative Housing Trust Fund program, and \$5,045,073 through the No Place Like Home program. In addition, Wakeland is preparing to submit an application for 9% low income housing tax credits ("Tax Credits") in July 2024, which would be awarded (if successful) in December 2024. A City Council commitment of funds prior to the July Tax Credits application deadline would greatly increase the likelihood that the Project is awarded Tax Credits. If awarded Tax Credits, the Project is scheduled to begin construction in March of 2025 and complete construction in the fourth quarter of 2026.

Wakeland has an affiliate entity, Wakeland Opportunities for Affordable Housing ("WOAH") that meets the qualifications for CHDO certification. If awarded HOME funds through this resolution, WOAH would be installed as the managing general partner of the project and the City would fulfill its CHDO set-aside obligations for previous years and the 2024-25 Fiscal Year.

The City has partnered with Wakeland on a previous project with a PSH component, Casa Anita Apartments (completed in 2023), and found that Wakeland completed the project efficiently and on budget, and that it has successfully operated the PSH component.

The Project met all of the RFP's threshold criteria and scored 80 points out of 100 on the competitive scoring criteria. City staff have full confidence that the Project can be completed and operated effectively, and that it would represent a significant asset to Chula Vista's housing stock.

Preliminary renderings of the Project's elevation and site plan are shown below in Figures 2 and 3.



**Figure 2: Preliminary Exterior Elevation**



**Figure 3: Preliminary Site Plan**



## City Funding

The City has already appropriated the requested HOME and HOME-ARP funds for affordable housing production in general; the current proposed action would commit the funds to this specific project. The \$2,668,810.45 in HOME-ARP funds, \$498,453.55 of the HOME CHDO set-aside funds, and the \$14,533.48 in HOME non-CHDO funds were appropriated via the First Amendment to the 2023-24 HUD Annual Action Plan, adopted on [October 17, 2023](#) via Resolution No. 2023-166. The remaining \$118,202.52 in HOME CHDO set-aside funds were appropriated via the 2024-25 HUD Annual Action Plan, adopted on [May 21, 2024](#) via Resolution No. 2024-085.

The Housing Successor Entity funds are held in the Low and Moderate Income Housing Asset Fund (“Housing Fund”). As of June 30, 2023, the balance of the Housing Fund was \$13,590,518. Pursuant to California Health and Safety Code Section 34176.1, Housing Successor Entities may not accumulate an “excess surplus,” or a high unencumbered Housing Fund balance as determined by a threshold formula. The Housing Fund has accumulated an excess surplus of \$431,404 that must be encumbered during the 2023-24 Fiscal Year. The proposed Housing Authority action would appropriate \$700,000 for the Project, thereby fulfilling the encumbrance requirements.

Table 1, under the Current-Year Fiscal Impact section of this report, summarizes the funding appropriations for this item.

## 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 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 96 total units in the proposed Project, there remains a balance of 937 units under the City’s current authority to facilitate these activities.

## DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council members 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 member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

## CURRENT-YEAR FISCAL IMPACT

A loan to assist with the construction of the Project, in an amount not to exceed \$3,300,000, is available from the City’s HOME and HOME-ARP accounts. Sufficient funds were appropriated through the adoption of the First Amendment to the 2023-24 HUD Annual Action Plan, and the 2024-25 HUD Annual Action Plan. This action would appropriate \$700,000 in additional funds from the Housing Fund maintained by the Housing Authority. There is no financial impact to the City’s General Fund. Administrative costs associated with the

Project shall be paid for by the applicable administrative portion of HOME and HOME-ARP funds, which were previously appropriated.

**Table 1: City and Housing Authority Funding Appropriations**

Source	Amount	Resolution	Appropriation Date
<b>HOME-ARP</b>	\$2,668,810.45	2023-166	10/17/2023
<b>HOME (accumulated CHDO set-aside)</b>	\$ 498,453.55	2023-166	10/17/2023
<b>HOME (2024-25 CHDO set-aside)</b>	\$ 118,202.52	2024-085	05/21/2024
<b>HOME</b>	\$ 14,533.48	2023-166	10/17/2023
<b><i>Housing Authority Low and Moderate Income Housing Asset Fund</i></b>	<b><i>\$ 700,000.00</i></b>	<b><i>(this item)</i></b>	<b><i>06/11/2024 (if approved)</i></b>
<b>Total</b>	<b>\$4,000,000.00</b>		

### ONGOING FISCAL IMPACT

The one-time use of HOME, HOME-ARP, and Housing Fund balances will draw down restricted funds that may be used solely for the creation or improvement of affordable housing. There is no ongoing General Fund expense associated with this action.

*Staff Contact: Brian Warwick, Housing Manager  
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