



# CITY COUNCIL STAFF REPORT



August 13, 2024

## ITEM TITLE

Bond Approval: Approve the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds for the Construction of the Citrus Villa Project and Certain Other Matters Relating Thereto

**Report Number:** 24-0219

**Location:** 178 Third Avenue

**Department:** Housing and Homeless Services

**G.C. § 84308:** No

**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.

## Recommended Action

Adopt a resolution authorizing the issuance of \$25,000,000 in tax-exempt bonds for an affordable project to be known as Citrus Villa, located at 178 Third Avenue.

## SUMMARY

The City of Chula Vista (the “City”) has received a request for the approval of issuance by the California Municipal Finance Authority (“CMFA”) of \$25,000,000 in tax-exempt multifamily housing revenue bonds for the purpose of the acquisition, construction, improvement and equipping of a multifamily rental housing project located at 178 Third Avenue, known as Citrus Villa (the “Project”).

## 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 to the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

## BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

## DISCUSSION

C.V. Senior Housing Partners, L.P. (the "Borrower") a partnership of which San Diego Interfaith Housing Foundation (the "Developer") or a related person to the Developer is the general partner, has requested that the Authority participate in the issuance of one or more series of tax-exempt facility bonds issued from time to time, pursuant to a plan of finance, in an aggregate outstanding principal amount not to exceed \$25,000,000 (the "Bonds") for the acquisition, construction, improvement and equipping of a multifamily rental housing project located at 178 Third Avenue, Chula Vista, California (Attachment 1: Project Location Map), to be owned and operated by the Borrower as Citrus Villa.

### Bond Issuer

On May 21, 2024, the Chula Vista Housing Authority adopted Resolution No. 2024-004 updating its bond policies. The revised policies require the Chula Vista Housing Authority to be the bond issuer for affordable housing developments except when a developer has a compelling reason to use an outside issuer. In this instance, the Developer applied for the tax-exempt bonds prior to adoption of the updated policies. Due to the timing of the application, City staff supports allowing an outside issuer for this project.

The Developer has selected CMFA to be the issuer of the Bonds. CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. To date, over 350 municipalities, including the City, have become members of CMFA.

CMFA was formed to assist local governments, non-profit organizations and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. CMFA's representatives and its Board of Directors have considerable experience in bond financings.

### TEFRA

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), in order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City, as the "applicable elected representative" of the governmental unit hosting the Project must conduct a public hearing (the "TEFRA Hearing") providing for the members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA Hearing, the City must also provide its approval of the issuance of the Bonds for the financing of the Project by the CFMA.

On Friday, August 2, 2024, a notice was published in the Star News, a newspaper of general circulation in the City of Chula Vista, informing the public that a public hearing would be held by the City Council. The City Council shall hold the TEFRA (public hearing) on Tuesday, August 13, 2024 at 5:00 p.m. at the City Council Chambers to allow public comments in the issuance of the notes and the Project for which bond funds will be allocated (Attachment 2: Notice of Public Hearing). Following public comment, City Council shall consider whether CMFA may issue exempt facility bonds to finance the Project and to approve the issuance, sale, and delivery of the Bonds by CMFA.

## Project

Citrus Villa is currently under construction and when completed, expected by December 2024, will provide 58 units of housing (in a mix of 1-, 2-, and 3-bedrooms) with 1 manager's unit and 57 affordable for seniors 55 years and older for the next 55 years, as detailed below.

- 10% (6 Units) restricted to households at or below 35% of area median income;
- 51% (29 Units) restricted to households at or below 50% of area median income; and
- 39% (22 Units) restricted to households at or below 60% of area median income.

Project amenities include a community room and courtyard. There are also resident and social services as well as case management for residents. Leasing for the project is expected to begin in the fourth quarter of 2024.

On April 9, 2024, City Council approved a waiver of Parkland Acquisition and Development Fees to the Project pursuant to Resolution No. 2024-060. The City does not have any other financial involvement in the Project but does have a Density Bonus Regulatory Agreement recorded in the Official Records of San Diego County as Document No. 2023-0338638, which restricts the occupancy of the 57 units to persons aged 55 and over. The Density Bonus Regulatory Agreement was recorded before the City's adoption of Ordinance No. 3572, which added Section 19.94.080 to the Chula Vista Municipal Code setting forth a system of priority in leasing affordable units to displaced households, Chula Vista residents and workers, and other key groups. Therefore, while future similar transactions will apply the City's priority policy, this Project will not be subject to such a policy.

## **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 members, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

## **CURRENT-YEAR FISCAL IMPACT**

Bond Financing is a self-supporting program with the Borrower solely responsible for the payment of all costs of issuance and other costs of the bonds. The City will have no financial, legal, moral obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project. All financing documents with respect to the issuance of the Bonds will contain clear disclaimers that the Bonds are not obligations of the City or the State of California but are to be paid for solely from funds provided by the Borrower.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the "Foundation"), acts as the Board of Directors for CMFA. Through its conduit issuance activities, CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City

of Chula Vista, it is expected that a portion of the issuance fee attributable to the City will be granted by CMFA to the general fund of the City. Such grant may be used for any lawful purpose of the City.

Borrower is responsible for payment to the City of a \$3,500 fee for costs of the TEFRA hearing and related actions.

### **ONGOING FISCAL IMPACT**

There will be no ongoing fiscal impact as this is a one-time action, with CMFA responsible for all ongoing activities associated with monitoring compliance of the regulatory restrictions and administration of the outstanding Bonds.

### **ATTACHMENTS**

1. Project Locator Map
2. Notice of Public Hearing

*Staff Contact: Brian Warwick, Housing Manager*