



CITY COUNCIL STAFF REPORT



August 13, 2024

ITEM TITLE

Bond Approval: Approve the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds for the Renovation of the Seniors on Broadway Project and Certain Other Matters Relating Thereto

Report Number: 24-0222

Location: 845 Broadway

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 \$12,000,000 in tax-exempt bonds for an existing affordable project, Seniors on Broadway, located at 845 Broadway.

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 \$12,000,000 in tax-exempt multifamily housing revenue bonds for the purpose of financing the acquisition and rehabilitation of a 42-unit qualified residential rental project, Seniors on Broadway, located at 845 Broadway (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

Metropolitan Area Advisory Committee on Anti-Poverty of San Diego County, Inc. (“MAAC” or the “Sponsor”), on behalf of a limited partnership or other ownership entity to be created by Sponsor or an affiliate of the Sponsor for the purpose of owning the project described herein (such limited partnership or other ownership entity being referred to herein as the “Borrower”), has requested that CMFA 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 \$12,000,000 (the “Bonds”) for acquisition and rehabilitation of an existing 42-unit qualified residential rental project, known as Seniors on Broadway, located at 845 Broadway within the City of Chula Vista.

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. The City Council is holding the TEFRA (public hearing) on Tuesday August 13, 2024 at 5:00 p.m. at the City Council Chambers of the City of Chula Vista, 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 will consider whether CMFA may issue tax-exempt facility bonds to finance the Project and to approve the issuance, sale, and delivery of the bonds by CMFA.

Project

Built in 2005, Seniors on Broadway has been providing quality affordable senior housing for the community for nearly twenty years. The Project provides one manager's unit and forty-one affordable units in a mix of studio, one, and two bedroom units, as follows:

- 12% (5 Units) restricted to households at or below 30% of area median income;
- 39% (16 Units) restricted to households at or below 45% of area median income; and
- 49% (20 Units) restricted to households at or below 50% of area median income.

The Project was originally built with \$3,511,195 in financial assistance from the City. The City's 2005 regulatory agreement, still in effect, stipulates that City-restricted units must give priority in leasing to (1) Chula Vista residents displaced due to City action or condominium conversion; and (2) Chula Vista residents and workers.

At this time, neither the City nor the Chula Vista Housing Authority are contributing funds toward the proposed rehabilitation of the Project. The bond issuance will enable the Project to renovate outdated fixtures, replace the roof, bring balconies up to current building codes, and replace carpet with vinyl plank flooring, amongst other improvements. The financing will renew the Project's affordability restrictions for 55 years (extending the current affordability period by twenty years). While all tenants will be minimally impacted by the renovations, no residents will be displaced.

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 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