



CITY COUNCIL STAFF REPORT



September 10, 2024

ITEM TITLE

Housing Funding: Amending Resolution No. 2024-119 to Restructure Loan Commitment to Project Located at 610 Paseo Del Rey

Report Number: 24-0235

Location: 610 Paseo Del Rey

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. 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 pre-development and construction costs 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"); provided, however, that any funds disbursed to the Project prior to a final NEPA determination shall only be pre-development activities categorically excluded from NEPA pursuant to 24 CFR Part 58.35(b)(6).

Recommended Action

Adopt a resolution amending Resolution No. 2024-119 to restructure an affordable housing loan commitment of \$3,300,000 to Wakeland Housing and Development Corporation ("Wakeland") to allow up to \$500,000 in funds to also be used for pre-development purposes, in order to meet disbursement deadlines imposed by the U.S. Department of Housing and Urban Development ("HUD") **(4/5 Vote Required)**.

SUMMARY

On [June 11, 2024](#), City Council voted to adopt Resolution No. 2024-119 to commit up to \$3,300,000 toward the construction of a 96-unit affordable housing development to be located at 610 Paseo Del Rey (the "Project"). After adoption of the resolution, it was brought to staff's attention that a portion of the committed

funds must be disbursed on or before September 30, 2024. Because this deadline will occur prior to the construction start date of the Project, staff is now proposing to issue up to \$500,000 of the total commitment as a pre-development loan, to be applied towards eligible pre-development expenses. This change would enable the City to meet HUD deadlines for disbursement of the funds.

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 for construction of the project 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; provided, however, that any funds disbursed to the Project prior to a final NEPA determination shall only be pre-development activities categorically excluded from NEPA pursuant to 24 CFR Part 58.35(b)(6).

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

The Housing and Homeless Advisory Commission reviewed the original 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.

Due to time constraints, staff was not able to formally present the proposed change to the Housing and Homeless Advisory Commission (“HHAC”) and solicit a formal vote on the proposed amendment. However, staff did brief the commission during the “Staff Comments” portion of the HHAC meeting on August 20, 2024. The HHAC members provided comments that as long as the fundamental design and affordability of the Project had not changed, they had no objection to amending the scope and timing of the funding commitment.

DISCUSSION

The Project

The Project is located in City Council District 2, at the northeast corner of Paseo del Rey and Telegraph Canyon Road. 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 a neighborhood that does not currently have any other affordable developments serving similar

populations. The nearest affordable complex is Villa Serena Senior Apartments, located 1.5 miles away at 1231 Medical Center Drive.

As previously presented, the Project would consist of 96 units, including 95 affordable units and one manager’s unit. Of these, 48 units would be designated as Permanent Supportive Housing (“PSH”), which is a form of housing for formerly homeless individuals that combines deep affordability with intensive services and resources to ensure long-term success. The remainder of units would be restricted to households at 60% of Area Median Income (“AMI”). For reference, the proposed unit sizes and income and rent limits that would be applicable at the Project if it opened today are provided below. (These limits are updated annually and will therefore be different when the Project is completed.) Please note that while the PSH units show a maximum rent, the effective rent in these units will be lower, since they will be restricted at a deeper level by another public agency and the tenants in these units will also receive rental assistance. The tables below represent the cumulative restrictions from both the City and Housing Authority loans; because the HOME program has extensive ongoing compliance requirements, staff may define a smaller proportion of the project as HOME-assisted.

Table 1: Proposed Unit Designations and Rent Limits

Unit Type	AMI Level	Number of Units	Monthly Rent + Utilities
Studio (PSH)	30%	23	\$795
Studio (PSH)	50%	9	\$672
1 Bedroom (PSH)	50%	16	\$726
2 Bedrooms	30%	5	\$1,046
3 Bedrooms	30%	5	\$1,225
2 Bedrooms	50%	9	\$1,667
3 Bedrooms	50%	10	\$1,941
2 Bedrooms	60%	9	\$1,977
3 Bedrooms	60%	9	\$2,300

Table 2: Current Annual Income Limits by Household Size, San Diego County

AMI Level	1 person	2 persons	3 persons	4 persons	5 persons	6 persons
30%	\$31,850	\$36,400	\$40,950	\$45,450	\$49,100	\$52,750
50%	\$53,050	\$60,600	\$68,200	\$75,750	\$81,850	\$87,900
60%	\$63,650	\$72,750	\$81,850	\$90,900	\$98,200	\$105,450

City Commitment

The original city commitment of funds was adopted on June 11, 2024 via Resolution No. 2024-119 for up to \$3,300,000 in HOME Investment Partnerships Program (“HOME”) and HOME Investment Partnerships Program American Rescue Plan (“HOME-ARP”) funding. A second resolution was adopted simultaneously by the Chula Vista Housing Authority (“Housing Authority”), via Housing Authority Resolution No. 2024-005. The Housing Authority resolution committed up to \$700,000 to the Project, bringing the total City and Housing Authority funding commitment to \$4,000,000.

Proposed Change

The proposed resolution would allow up to \$500,000 of the total funding commitment to be disbursed as a pre-development loan, which would enable the City to disburse funds on or prior to the HUD deadline September 30, 2024. The eligible uses would be expanded to cover pre-development expenses that can be incurred prior to a final NEPA determination. Per 24 CFR Part 58.35(b)(6), these include “legal, consulting, developer and other costs related to obtaining site options, project financing, administrative costs and fees for loan commitments, zoning approvals, and other related activities which do not have a physical impact.” There would be no changes to the proposed affordability or design of the Project. The loan would be structured as a short-term loan; however, the loan would be rolled over into the full \$3,300,000 construction and permanent financing loan if and when the Project moves into the construction phase. Language was also added that would allow the City to forgive the pre-development loan if it was determined that the Project could not proceed for some reason. This was added to protect the City from having to repay HUD for lost HOME and HOME-ARP funds in an unlikely worst-case scenario.

Wakeland purchased the property in 2023, and has also incurred significant pre-development expenses to date, such as for the preparation of environmental reports, architectural renderings, and construction drawings. If the amending resolution is adopted, the City and Wakeland will quickly execute loan documents and process a draw request that would provide for the partial reimbursement of these expenses.

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

If at least \$239,271.45 of HOME funds is not disbursed by September 30, 2024, that amount will be reclaimed by HUD. There is no other current-year fiscal impact from the proposed resolution. Funds were already appropriated for this action through the adoption of the First Amendment to the 2023-24 HUD Annual Action Plan, and the 2024-25 HUD Annual Action Plan.

ONGOING FISCAL IMPACT

The one-time use of HOME and HOME-ARP funds 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.

ATTACHMENTS

None.

*Staff Contact: Brian Warwick, Housing Manager
Stacey Kurz, Director of Housing and Homeless Services*