CITY COUNCIL STAFF REPORT

CITY OF CHULA VISTA

August 5, 2025

ITEM TITLE

Housing Bonds: Bond Inducement for the Proposed Enclave Montecito 96-Unit Affordable Housing Complex in Otay Ranch Village 2

Report Number: 25-0203

Location: Southwest Corner of Santa Victoria Road and Santa Diana Road (Village 2)

Department: Housing and Homeless Services

G.C. § 84308 Regulations Apply: No

Environmental Notice: The proposed Project is adequately covered in the previously adopted Final Supplemental Environmental Impact Report ("FSEIR") for the Otay Ranch Village Two Comprehensive SPA Plan Amendment (FSEIR 12-01; SCH #2003091012; and incorporated by reference in City Council Resolution No. 2014-207 on November 4, 2014). No additional environmental review is required.

Recommended Action

Adopt a resolution of the Chula Vista Housing Authority regarding its intention to issue up to $25 million in tax-exempt bond obligations for the 96-unit Enclave Montecito development.

SUMMARY

The Chula Vista Housing Authority ("CVHA") has received a request from Baldwin & Sons, Inc. (the "Project Sponsor") to consider the issuance of tax-exempt multifamily housing revenue bonds, in an aggregate amount not to exceed $25 million, to finance the construction, maintenance, and operation of Enclave Montecito, a 96-unit affordable project to be developed within Village 2 in Eastern Chula Vista (the "Project"). The proposed action would authorize the application for the bonds.

ENVIRONMENTAL REVIEW

The Director of Development Services reviewed the proposed Project for compliance with the California Environmental Quality Act ("CEQA") and determined that the Project is adequately covered in the previously adopted FSEIR for the Otay Ranch Village Two Comprehensive SPA Plan Amendment (FSEIR 12-01; SCH #2003091012; and incorporated by reference in City Council Resolution No. 2014-207 on November 4, 2014). Thus, no further environmental review is necessary.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

The Housing and Homeless Advisory Commission considered the item on Wednesday, July 16, 2025. It voted 6-0 to make an advisory recommendation to the Chula Vista Housing Authority in support of the item.

DISCUSSION

Background

The Project Sponsor is the master developer of the Village 2 Sectional Planning Area ("SPA"). The Village 2 SPA is subject to an Affordable Housing Agreement, which requires that 10% of the 2,786 units approved for development within Village 2 be set aside for low- and moderate-income households. The proposed project would partially fulfill this requirement.

The Project is one component of a 599-unit mixed-use development to be constructed at the intersection of Santa Victoria Road and Santa Diana Road/Birch Road. The Chula Vista Planning Commission approved the 599-unit development on December 13, 2023 under Planning Commission Resolution No. 2023-24. The Project was approved in accordance with State Density Bonus Law, which allows for various reductions in development standards in exchange for providing onsite affordable housing. In accordance with State Density Bonus Law, the Project was approved for reductions in onsite parking, private open space, common usable space, and public plaza space. While the 96-unit affordable component will be a standalone building, it is treated together with the rest of the development as a single project for the purposes of the City's land use approvals. Under the Project's Density Bonus Regulatory Agreement, which was executed as of July 8, 2025, all 96 units will be restricted to low-income households. The Project will also be subject to a separate regulatory agreement with another public agency expected to provide financing, the California Tax Credit Allocation Committee ("TCAC"). The TCAC agreement is expected to have deeper restrictions, including approximately 10 units serving Extremely Low-Income households at 30% of Area Median Income. The Project will consist of 37 one-bedroom units, 31 two-bedroom units, and 28 three-bedroom units.

The Project is located to the south and west of the intersection of Olympic Parkway and La Media Road. The area is considered a "moderate resource" neighborhood according to the TCAC 2025 opportunity map. (The adjacent neighborhood to the east of La Media Road is considered a "high resource" neighborhood, and other nearby districts are considered "highest resource.") There are a number of amenities less than one mile from the Project site, including Otay Ranch Senior High School, Saburo Muraoka Elementary School, Mater Dei Catholic High School, Grove Park, and Paterna Park. Heritage Park and Heritage Station, an MTS Rapid bus stop, are approximately 1.3 miles away from the Project site. The Otay Ranch Town Center, with grocery stores and major retail outlets, is approximately 1.5 miles away. Additionally, the larger mixed-use development at this site will include 11,400 square feet to be occupied by a commercial tenant.

Project Financing

The Project Sponsor will be the developer for the Project. The Project will be owned by a limited partnership affiliated with the Project Sponsor, which has yet to be formed. The Project Sponsor has retained the services of an experienced affordable housing consultant, Trestle Build, to assist with the affordable housing financing, application, and compliance for the Project. The Project Sponsor intends to use CONAM Management Corporation as its onsite property manager. CONAM is highly experienced in affordable housing management and manages many properties in Chula Vista for other developers.

The total development cost is currently projected to be $38 million, or approximately $400,000 per unit. Although this figure excludes the acquisition cost of land, which will be contributed by the Project Sponsor, it is still significantly lower than the current industry average for similar affordable developments. The Project is able to realize cost savings in a number of ways: cost-effective design (a light wood frame building with a surface parking lot); economies of scale from spreading the architectural, engineering, and other fixed costs across the entire 599-unit complex; and a simplified set of funding sources resulting in lower legal and administrative costs.

The Project Sponsor is requesting that the CVHA be the conduit bond issuer for tax-exempt multifamily housing revenue bonds in an aggregate amount not to exceed $25 million for new construction and operation of the Enclave Montecito project. An application will be submitted by September 9, 2025 to the California Debt Limit Allocation Committee ("CDLAC"), the state bonding authority, and to TCAC for the companion tax credits. The bond allocation and tax credit contributions will be used to substantially finance the Project. Tax credit and bond financing do not cover the entire cost of construction. In this case, the Project Sponsor does not intend to seek other public financing for the gap but will instead finance the remaining cost through private sources such as a mortgage or General Partner equity contribution.

Recent changes to the Low-Income Housing Tax Credit program under federal law may impact project financing; there is still uncertainty within the industry about whether the changes impact 2025 bond applications. If the changes do indeed take effect now, the project may qualify for significantly less than $25 million in tax-exempt bonds. If that occurs, the Project Sponsor is prepared to facilitate an issuance of up to $10 million in taxable bonds to make up the difference.

The proposed action would allow CVHA to adopt a resolution authorizing application for tax-exempt bonds (the "Inducement Resolution"). As the local jurisdiction where the Project is to be built, the City of Chula Vista must approve the issuance of the bonds.

If the bond application is successful, CVHA will act as bond issuer and hold a public hearing regarding the issuance of the bonds in accordance with the Tax Equity and Fiscal Responsibility Act of 1986, as amended ("TEFRA"). CVHA has an experienced team of consultants to assist with all aspects of the issuance. Ross Financial is available to serve as bond adviser, reviewing the construction and operating budgets of the project and other aspects of the transaction. Stradling Yocca Carlson & Rauth serves as bond counsel on all CVHA bond issuances, reviewing the legal aspects of the transaction. CVHA's status will be strengthened by expanding its portfolio of affordable projects, and the City and CVHA will have a greater ability to oversee ongoing compliance at the Project than if the bonds were administered by an outside issuer.

Of note, there is still uncertainty about whether the Project would need an issuance of recycled bonds in order to submit a competitive CDLAC/TCAC application. (Bond proceeds that have been repaid by one project may be redeployed to another project within a window of approximately six months; these are known as "recycled bonds," and can improve a project's competitiveness under CDLAC/TCAC regulations.) CVHA does not have available bond repayment proceeds to issue recycled bonds at this time. If recycled bonds are necessary for the Project, the Project Sponsor may elect to instead use an outside issuer such as the California Municipal Finance Authority ("CMFA"), subject to CVHA's review and approval. In that scenario, the proposed inducement resolution would be moot and no further action would be taken to issue the bonds on CVHA's behalf. However, the City would still be required to hold a TEFRA Hearing at a future date to approve the issuance of the bonds by an outside issuer.

DECISION-MAKER CONFLICT

Staff have reviewed the property holdings of the Housing Authority members and have found no property holdings within 1,000 feet of the boundaries of the property that 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. (Gov. Code, §87100, et seq.)

Staff are not independently aware, and have not been informed by any Housing Authority Board member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

The Multifamily Housing Revenue Bond program is a self-supporting program, with the borrower responsible for the payment of all costs of issuance and other costs of the bonds. The Housing Authority will recover costs associated with administration by assessing fees to the Project in accordance with the Master Fee Schedule (Fee Bulletin 19-100). The current fee for bond origination is twenty basis points (0.20%) of the issuance amount, with a minimum fee of $15,000. The origination fee range would be between $15,000 and $50,000.

ONGOING FISCAL IMPACT

The Multifamily Housing Revenue Bond program is self-supporting. Staff costs associated with monitoring compliance of the regulatory restrictions and administration of the outstanding bonds will be reimbursed from an annual administrative fee paid to the Housing Authority by the owner. The current fee amount for a 96-unit development is $17,000 annually.

ATTACHMENTS

1. Project Location Map

Staff Contact: Brian Warwick, Housing Manager