



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Community Development Commission Staff Report
December 13, 2024

Topic: Pre-Commitments of Affordable Housing Funds for Habitat for Humanity of Orange County

AGENDA TITLE

Approve a Pre-Commitment of \$9,807,571 in HOME Program Funds for the Development of 40 New Affordable Ownership Units Located at 621 W. Alton Ave.; Approve a Pre-Commitment of \$900,000 in Inclusionary Housing Funds for the Conversion of Nine (9) Rental Units into Affordable Ownership Condominium Units Located at 425 E. Wellington Ave

RECOMMENDED ACTION

1. Recommend the City Council to authorize the City Manager to execute a pre-commitment letter with Habitat for Humanity of Orange County for \$9,807,571 in HOME Investment Partnerships Program funds for the development of 40 new affordable ownership units located at 621 W. Alton Ave., Santa Ana, CA (APN 410-351-02), subject to non-substantive changes approved by the City Manager and City Attorney.
2. Recommend the City Council to authorize the City Manager to execute a pre-commitment letter with Habitat for Humanity of Orange County for up to \$900,000 in Inclusionary Housing Funds that would allow for the conversion of nine (9) existing rental units into affordable ownership condominium units located at 425 E. Wellington Ave., Santa Ana, CA (APN 398-028-12), subject to non-substantive changes approved by the City Manager and City Attorney.

EXECUTIVE SUMMARY

In October 2023, City Council directed staff to invest affordable housing funds exclusively for the development of affordable ownership opportunities. Following the issuance of a Request for Proposals approved by City Council, staff are now recommending an award of over \$10.7 million in funding to develop 49 new affordable ownership opportunities for low- and moderate-income families. The homes would be developed by Habitat for Humanity of Orange County at two sites. If approved by City Council, this will be the single largest investment in affordable ownership opportunities in the history of the City of Santa Ana. This will also double the number of affordable homes that Habitat for Humanity of Orange County has developed in the City and will be the most number of affordable homes they have developed in any city in Orange County.

DISCUSSION

On October 17, 2023, the City Council authorized the Community Development Agency (“CDA”) to release a Fiscal Year 2023-24 Request for Proposals (“RFP # 23-156”) to develop affordable ownership projects in the City of Santa Ana (“City”) with funding from the HOME Investment Partnerships (“HOME”) Program (Exhibit 1). The RFP was prepared in compliance with the City’s Affordable Housing Funds Policies and Procedures. The RFP was published on the City’s website and Planet Bids; a public notice was published in the OC Register on October 25, 2023; and an e-mail was sent out to Orange County’s largest affordable housing membership associations, interested developers, and nonprofit organizations from CDA’s RFP Process Database.

In compliance with the City’s Affordable Housing Funds Policies and Procedures, a Review Panel, composed of City staff from the Community Development Agency and Planning and Building Agency together with an affordable housing consultant, used the Scoring and Selection Criteria from the RFP to review all of the proposals. Each proposal was scored and reviewed using the same form and criteria. Following the review and scoring process of multiple proposals, and various meetings regarding the feasibility and site control for each proposed project and proposal, the Review Panel is now recommending the following awards for two projects to create 49 new affordable ownership opportunities:

Developer: Habitat for Humanity of Orange County

- **621 W. Alton Ave.:** \$9,807,571 in HOME Program funds for the development of 40 new affordable ownership units including 30 homes for low-income families at 80% Area Median Income (“AMI”) and 10 homes for moderate-income families at 120% AMI.
- **425 E. Wellington Ave.:** Up to \$900,000 in Inclusionary Housing Funds in the form of down payment assistance, relocation costs and a grant that would allow for the conversion of nine (9) existing rental units into affordable ownership condominium units for moderate income families at 120% AMI. The City’s financial assistance amount will be comprised of down payment assistance for each moderate income household, up to \$180,000 in relocation costs, and a grant for the remaining balance to develop the project.

Background on Habitat for Humanity of Orange County

Habitat for Humanity of Orange County (“Habitat for Humanity”) is a nonprofit organization dedicated to providing affordable housing for qualifying families. Since 1988, the organization has completed and sold 239 homes in Orange County, including 32 affordable homes in the City of Santa Ana. Habitat for Humanity is currently building an additional six (6) new homes in the City at 1921 W. Washington Ave for low-income families at 80% AMI that was made possible with \$2.2 million from the City’s Inclusionary Housing Fund. Habitat for Humanity also currently administers the City’s Residential Rehabilitation Grant Program with \$500,000 per year in Community Development Block

Grant funds. The organization is the largest provider of affordable ownership opportunities in Orange County and also advocates for fair housing policies, addresses substandard housing conditions, and offers families training and resources to achieve homeownership.

Project Description - 621 W. Alton Ave.

The first pre-commitment letter for 621 W. Alton Ave., Santa Ana, CA (APN 410-351-02) between the City and Habitat for Humanity provides an enforceable funding commitment of \$9,807,571 in HOME Program funds for the development of 40 new affordable ownership units. Specifically, Habitat for Humanity proposes to demolish the existing structures on the site at 621 W. Alton Ave. to build 40 new homes for affordable ownership. The project will include 30 three-bedroom, one and a half-bath homes for low-income families at 80% AMI and 10 three-bedroom, one and a half-bath homes for moderate-income families at 120% AMI. The AMI is currently \$129,000 for a four-person household, as published by the California Department of Housing and Community Development. Households must also meet the eligibility requirements for Habitat for Humanity's Affordable Homeownership Program with a residency preference for local residents of Santa Ana.

In a preliminary design drafted by Habitat for Humanity, subject to change, the 40 new homes have a two-story duplex configuration offering a balanced scale to maintain neighborhood character while providing individuality to each building. The three-bedroom, one and a half bath homes will each be approximately 1,070 square feet. At least two (2) of the homes will be Americans with Disabilities Act (ADA) accessible and compliant. The site bridges the larger scale of existing multi-family properties to the north and east of the project site with the single-family homes to the west. Units are arranged along paseos: one through the center, one along the bike path on the west property line, and one connecting the two. A modest central courtyard is located at the paseo intersection, complementing the large park across the street. Each unit features a front porch and private patio. Garages and guest parking are accessed via a looping alley, allowing efficient movement for trash collection and emergency vehicles without dead-ends. There will be two parking spaces adjacent to each home (one enclosed and one surface). There will also be 16 additional surface parking stalls, including two ADA-accessible stalls.

The overall design, and materials of the new construction will be compatible with and complement the variation of styles within the neighborhood. Overall, the project will include a design and quality construction materials that will ensure that the project ages well for the duration of the building's lifetime.

This project is being developed in partnership with Bill Taormina who is the current owner of the land. Mr. Taormina will be holding title of the land through the entitlement and building process. As such, he will continue to be responsible for holding costs and pay for the property taxes and required insurance for the duration of the project and up until the new homes are sold. Habitat for Humanity and Mr. Taormina have entered into a Memorandum of Understanding with the agreed upon terms and details of the partnership and land purchase.

The project will require relocation of the existing religious organizations currently occupying and renting the structures on site. Currently, three religious organizations rent the existing structures including Faith Community Church of Santa Ana, Fundamental Baptist Church, and Turning Point Fellowship. These tenants will be provided relocation assistance that complies with the federal Uniform Relocation Act as required by the HOME Program federal funds. Once the three religious organizations vacate the existing structures, Habitat for Humanity will pay Mr. Taormina the rent paid by the vacating occupants and begin the process to demolish the buildings.

From an initial review of the project by the City's Planning and Building Agency, the timeline for processing the application and obtaining necessary approvals is expected to take approximately 7 to 12 months. The property is currently zoned as LR-7 (Low Density Residential, 7 units per acre). Habitat for Humanity will need to request a General Plan Amendment and zone change. Habitat for Humanity will also be required to comply with the City's Sunshine Ordinance, which includes holding two community meetings. A California Environmental Quality Act review will be required and a Density Bonus Agreement may also be necessary, depending on the concessions and waivers needed for the development of the project.

The pre-commitment letter shall not obligate the City or any department thereof to approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary for the construction, rehabilitation, installation or operation of the project. The pre-commitment letter will be conditional on Habitat for Humanity obtaining approval of all required entitlements and discretionary actions, to allow the construction of 40 affordable ownership units to be located at 621 W. Alton Ave.

In compliance with the City's Affordable Housing Funds Policies and Procedures, Keyser Marston Associates, Inc. ("KMA") completed a preliminary financial gap analysis by reviewing the developer's estimates and projections of sales prices, expenses, reserves and development costs; and confirming the project's underwriting and other requirements pertinent to the funding sources (Exhibit 2). Following this analysis and completion of the procurement process, KMA confirmed the preliminary financial gap and the Review Panel's recommendation to award \$9,807,571 in HOME Program funds. The project's economics are described in detail in KMA's analysis.

Project Description - 425 E. Wellington Ave.

The second pre-commitment letter for 425 E. Wellington Ave., Santa Ana, CA (APN 398-028-12) between the City and Habitat for Humanity provides an enforceable funding commitment of \$900,000 in Inclusionary Housing Funds that would allow for the conversion of nine (9) existing rental units into affordable ownership condominium units for moderate-income families. The City's \$900,000 in financial assistance will be comprised of down payment assistance for each moderate income household, up to \$180,000 in relocation costs, and a grant for the remaining balance to develop the project.

Specifically, this project involves the conversion of an existing nine-unit apartment building into condominiums, which will be made available for homeownership to moderate-income households earning less than 120% of the AMI. Households must also meet the eligibility requirements for Habitat for Humanity's Affordable Homeownership Program with a residency preference for local residents of Santa Ana. The current building is a contributor to the French Park National Register District, and is a two-story structure that was rehabilitated in May 2024 to its Minimalist Traditional architectural style. It includes one two-bedroom unit and eight one-bedroom units, each with a single bathroom. All units are equipped with essential appliances: stoves, refrigerators, and stacked washer/dryer units in the laundry space. Unit sizes range from 420 to 846 square feet. The building recently underwent over \$1 million in renovations, which included new flooring, electrical upgrades (new outlets and fixtures), updated kitchen cabinets, and complete bathroom remodels. Doors, windows, shutters, garage doors, stairways, and railings were restored or replaced as needed to meet code compliance.

The pre-commitment letter for 425 E. Wellington Ave. will commit up to \$80,000 in direct financial assistance for each qualified moderate-income buyer (including the current renters) interested in purchasing the affordable ownership units from Habitat for Humanity after the building is converted to condominiums. If the final appraised market value of each home does not allow for the full \$80,000 in down payment assistance to be secured against each unit (based upon the current economics of the project), the difference in the total amount of down payment assistance that can be secured per unit and the City's remaining balance of Inclusionary Housing Funds (after relocation costs) will be provided to Habitat for Humanity in the form of a grant. This grant will ensure that: 1) the City is not oversubsidizing each household; and 2) Habitat for Humanity has sufficient revenue to pay for their total development costs to complete the project.

Condominium Conversion and Improvements

As part of the condominium conversion, the project will include necessary upgrades to meet condominium conversion requirements. Specifically, utilities (electricity, gas, and water) will be individually metered, and trash disposal areas will be designated. To improve the property's safety and appearance, common drive aisles may be resurfaced with asphalt, downspouts will be directed for proper site drainage, and damaged garage doors and windows may be repaired or replaced as needed, in compliance with the building's historic designation. A Homeowner's Association will be established to manage the common areas, including landscaping, exterior maintenance, and shared systems (such as irrigation and outdoor lighting). This project will trigger the City's Community Workforce Agreement and union labor will be used for all necessary upgrades when volunteer labor is not used.

Relocation Assistance and Right of First Offer for Existing Tenants

Currently, eight of the nine units are occupied. The funding source is not federal or state funds and therefore the federal Uniform Relocation Act ("URA") does not require Habitat for Humanity to provide relocation assistance. Although the project is not subject to the URA, staff are still concerned with the potential displacement of any of the eight existing tenants. Therefore, the eight existing tenants will be given the right of first offer to

purchase a unit, provided they meet the eligibility requirements for Habitat for Humanity's Affordable Homeownership Program and the City of Santa Ana's Down Payment Assistance Program. However, if any of the current tenants must be relocated, Habitat for Humanity will provide up to 12 months of relocation assistance based on each tenant's current rent amount, paid directly to each tenant.

To assist Habitat for Humanity with this self-imposed relocation requirement, the City will provide up to \$180,000 of the Inclusionary Housing Funds on an as-needed basis that would only be utilized for relocation payments to existing tenants that do not purchase a unit. However, if one or more of the existing tenants only qualifies as a low-income household instead of a moderate-income household, and additional assistance would allow that low-income household to purchase their unit, then staff may use all or a portion of the \$180,000 in unused relocation assistance funds to assist one or more of the existing low-income households to purchase their unit.

Habitat for Humanity has hired a relocation specialist to ensure compliance with all notification and engagement timelines required by the City for the condominium conversion. If any current tenants are relocated, upon vacancy each unit will be inspected by Habitat for Humanity. Units will be repaired and repainted to ensure they provide a healthy and safe environment for new homeowners.

Same as before, this second pre-commitment letter shall not obligate the City or any department thereof to approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary for the construction, rehabilitation, installation or operation of the project. The pre-commitment letter will also be conditional on Habitat for Humanity obtaining approval of all required entitlements and discretionary actions that would allow for the conversion of the nine (9) existing rental units into affordable ownership condominium units at 425 E. Wellington Ave.

In compliance with the City's Affordable Housing Funds Policies and Procedures, KMA completed a second preliminary financial gap analysis for this condominium conversion project (Exhibit 3). Following this analysis and completion of the procurement process, KMA confirmed the preliminary financial gap and need for the Review Panel's recommendation to award \$900,000 in Inclusionary Housing Funds. This second project's economics are described in detail in KMA's analysis.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action because the recommended actions consist of a pre-commitment of funds that is conditional upon compliance with the California Environmental Quality Act and the National Environmental Policy Act.

FISCAL IMPACT

There is no fiscal impact associated with this item.

EXHIBIT(S)

Pre-Commitments of Affordable Housing Funds for Habitat for Humanity

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1. [Staff Report from October 17, 2023](#)
2. Preliminary Financial Gap Analysis for 621 W. Alton Ave.
3. Preliminary Financial Gap Analysis for 425 E. Wellington Ave.

Submitted By: Judson Brown, Housing Division Manager

Approved By: Michael L. Garcia, Executive Director of Community Development