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CITY OF SANTA ANA
COMMUNITY DEVELOPMENT AGENCY
20 Civic Center Plaza M-25
Santa Ana, California 92702
www.santa-ana.org

November 15, 2022

Troy Hendrickson
Vice President of Construction
Habitat for Humanity of Orange County
2200 S. Ritchey Street
Santa Ana, CA 92705

Re: Pre-Commitment Letter
1921 W. Washington Ave.
Santa Ana, CA 92701

Dear Mr. Hendrickson:

Habitat for Humanity of Orange County (referred to as the "Developer"), requested financial assistance in connection with the proposed development of six (6) affordable ownership units at 1921 W. Washington Avenue, Santa Ana, CA (APN 405-101-37) ("Project").

The Project site is located at 1921 W. Washington Avenue. The current structures on the site have been abandoned for over a decade. The buildings have deteriorated to the point that they are no longer habitable. The proposed Project will consist of three duplex buildings and will provide six new affordable ownership opportunities for low-income families who earn up to 80% of the Orange County Area Median Income in the City of Santa Ana. All units will be three-bedroom and have a minimum of two-bathroom. Each unit will have a private two-car garage with direct access to their unit. Units will range in size from 1,100 sq. ft. to approximately 1,430 sq. ft. of interior living space. In addition, each unit will have a private yard. One unit will be constructed as an accessible unit with mobility and communication features in compliance with the California Building Code.

These homes will be made available exclusively to qualifying low-income families who earn up to 80% of the Orange County Area Median Income. The Project will have a

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preference for families who live or work in the City of Santa Ana. Construction will comply with all City of Santa Ana, county, and state building codes.

The City of Santa Ana ("City") has reviewed the Developer's request for financial assistance, and at the City Council meeting on November 15, 2022, the City Council authorized and approved issuance of this pre-commitment letter evidencing the preliminary award of \$2,200,000 in Inclusionary Housing Funds consisting of ("City Assistance"):

- A Conditional Grant in the maximum amount of \$2,200,000 from the Inclusionary Housing Fund held by the City for the Project ("Conditional Inclusionary Housing Grant").

This letter shall evidence the City's pre-commitment of the City Assistance to the Developer for the Project subject to the conditions described below.

City Assistance:

The amount of the proposed City Assistance has been determined based upon the City's review of the Developer's request for the receipt of the City Assistance and the development proforma and projected cash flows for the Project submitted by the Developer to the City ("Proforma"). The City Manager has the authority to approve revised development proformas and projected cash flows for the Project; provided, however, that the City Assistance is not increased or extended.

The City Assistance shall include the following terms:

- The Conditional Inclusionary Housing Grant shall be for a maximum principal amount of \$2,200,000, or as much thereof, as is disbursed for hard and soft costs in constructing the Project, provided from the Inclusionary Housing Fund.
- Provided Developer constructs the Project according to the Scope of Work and Schedule of Performance, the Developer will be subject to no repayment obligation. Upon the City's issuance of a Certificate of Completion, the Grant Agreement shall automatically terminate. In the event the Project is not constructed in compliance with the Scope of Work and Schedule of Performance within two (2) years from the date of the first disbursement of the Grant funds, the City may terminate the Grant Agreement and may seek repayment of Grant monies not expended on development and construction of the Project pursuant to the default remedy provisions of the Grant Agreement.
- The six (6) "Housing Units" at the Project shall and will be restricted to an affordable home purchase price which will require that the six homes be sold to low-income qualified buyers who earn up to 80% of the Orange County Area Median Income as set by the Department of Housing and Urban Development ("HUD"). Future

sales of such single-family homes will be restricted to income-qualified households for a period of at least forty-five (45) years.

- Developer will have a local preference for families who live or work in the City of Santa Ana in the selection of low-income qualified buyers.
- Developer will ensure that each “Program Participant” (used interchangeably with “Homebuyer”) means the selected eligible person or Family who will be purchasing a House. Each Program Participant will be providing not less than five hundred (500) hours of sweat equity toward the development of their House, or any other improvements as may be designated by the Developer. Each Program Participant is to be selected by the Developer as more fully set forth in its Marketing Outreach and Sales Program.
- Developer’s Program to develop affordable ownership opportunities with financial support from the City is subject to Chapter 11B of the California Building Code as public housing. Accordingly, Developer’s Program must comply with California Building Code section 11B-233.3. Specifically, Developer’s Program must comply with requirements for mobility features: “In facilities with residential dwelling units, at least 5 percent, but no fewer than one unit, of the total number of residential dwelling units shall provide mobility features.” In addition, Developer’s Program must also comply with requirements for communication features: “In public housing facilities with residential dwelling units, at least 2 percent, but no fewer than one unit, of the total number of residential dwelling units shall provide communication features complying with Section 11B-809.5.” Developer shall comply with these public housing requirements for their Program in the California Building Code by constructing one unit in the Project that includes the required mobility features and communication features.
- At the close of escrow for the purchase of each Affordable Unit, the City will require each Low Income Household purchasing such Unit to execute the following documents:
 - Affordable Housing Resale Restrictions – The Affordable Housing Resale Restrictions shall permit sales of an Affordable Unit sold to a Low Income Household only to a qualified Low Income Household with a local preference for families who live or work in the City of Santa Ana, in each case, at an Affordable Housing Cost;
 - Notice of Affordability on Transfer of Property – The Notice of Affordability on Transfer of Property shall be for a term of at least forty-five (45) years;
 - Promissory Note – The principal amount of the City Promissory Note shall be in an amount equal to the difference between the sales price of the Affordable Unit and the fair market value of such unit as if no restriction were placed thereon, as determined by the sales price of equivalent unrestricted units on the Sites at the time of such sale. If there are no equivalent unrestricted units on the Sites at the time of sale, the fair market value of

the unit shall be determined by appraisal, which is reasonably acceptable to the City;

- Deed of Trust; and,
- Homebuyer Loan Agreement.

General Provisions:

The City's obligation to provide the City Assistance to the Project is subject to each of the following conditions:

- Developer must provide proof that it has secured all of its remaining financing for the development of the Project in the form of enforceable funding commitments, before staff will return to the City Council for consideration of the Conditional Grant Agreement for the City Assistance.
- Developer shall assume any and all responsibility and be solely responsible for determining whether laborers employed relative to the construction or installation of the project must be paid the prevailing per diem wage rate for their labor classification, as determined by the state, pursuant to labor code sections 1720, et seq.
- All provided funding and Project requirements shall conform to the City's most recently adopted Affordable Housing Funds Policies and Procedures, unless alternative requirements are expressly provided in the executed Conditional Grant Agreement for the City Assistance or any other documents related to the development of the Project.
- Approval of all required entitlements and discretionary actions, to allow the construction of six affordable ownership units to be located at 1921 W. Washington Avenue, Santa Ana, CA (APN 405-101-37).
- The City's obligation to provide the City Assistance is and shall remain subject to all covenants, conditions, and restrictions set forth in the Conditional Grant Agreement, and in particular the City's analysis of the available funding sources and development and operating costs of the Project and the overall economic feasibility of the Project.
- Review and approval of the Conditional Grant Agreement evidencing the City Assistance by the City Council including the Conditional Grant Agreement and Affordability and Maintenance Restrictions.
- 10% or \$220,000 of the City's financial assistance will be retained by the City until construction of the Project is complete.

Developer, at its sole cost and expense, will be responsible for securing any and all permits and discretionary approvals that may be required for the Project by the City or

any other federal, state, or local governmental entity having or claiming jurisdiction over the Property or Project. Notably, this 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.

This pre-commitment letter for the Project will expire on November 15, 2024.

If you have any questions or require any additional information regarding this pre-commitment letter, please contact Judson Brown, Housing Division Manager, by telephone at (714) 667-2241 or by e-mail at jbrown@santa-ana.org.

Sincerely,

On behalf of the City of Santa Ana:

Kristine Ridge
City Manager

Attest:

Clerk of the Council

RECOMMENDED FOR APPROVAL:

Michael L. Garcia
Executive Director
Community Development Agency