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CITY OF SANTA ANA

COMMUNITY DEVELOPMENT AGENCY

20 Civic Center Plaza – M25

Santa Ana, California 92702

www.santa-ana.org

July 18, 2023

Pooja Bhalla, DNP, RN
Chief Executive Officer
Illumination Foundation

Sent via E-mail

Re: Bewley Street - Intergenerational Affordable Housing Project
918 North Bewley Street, Santa Ana, CA 92703
Pre-Commitment Letter for a Grant of Homeless Housing, Assistance and
Prevention Grant funds, and Eight (8) Project-Based Vouchers

Dear Ms. Bhalla,

Illumination Foundation (“Developer”) requested financial assistance in connection with the proposed development of an eleven (11) unit intergenerational affordable housing project, with eight (8) units restricted to homeless transitional age youth (TAY) and two (2) units restricted to homeless senior citizens (the “Project”). The Project is to be located at 918 North Bewley Street, Santa Ana, CA 92703 (APN 198-231-10) (the “Site”).

The Project includes the rehabilitation of 2 two-story residential buildings that were previously utilized by The Lovers of the Holy Cross Sisters as a convent and preschool. The Developer will convert the two residential buildings into eleven (11) rental units comprised of two (2) one-bedroom units, seven (7) two-bedroom units, and two (2) three-bedroom units. Two (2) one-bedroom units and six (6) two-bedroom units will be restricted to homeless TAY at or below 30% of the Area Median Income (“AMI”). The two (2) three-bedroom units will be structured as shared housing for homeless senior citizens at or below 50% of the AMI. One (1) two-bedroom unit will be unrestricted. The Project’s unit mix and rent restrictions are as follows:

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Bedroom Size	30% AMI (PSH)	50% AMI (PSH)	Manager's Unit	Total Units
One-Bedroom (TAY)	2			
Two-Bedroom (TAY)	6			
Two-Bedroom			1	
Three-Bedroom (Senior)		2		
TOTAL	8	2	1	11

The Developer proposes to construct an Accessory Dwelling Unit (“ADU”) on the Site. The ADU will be used as office space for supportive services and programming functions. An existing preschool building is also located on the Site. The Developer proposes to work with Head Start to renovate and operate the preschool space.

As proposed, there is no enlargement of the apartment buildings and no increase in the number of units as originally constructed. Moreover, the overall scope of work includes the proposed conversion of an existing storage shed into an ADU with two bedrooms. The Project is subject to additional administrative review and approval by the Planning and Building Agency through the City’s building plan check and permitting process. Staff understands that the Project as proposed is administrative and does not require discretionary entitlement approvals, and that it is not subject to additional off street parking due to its proximity to public transit.

The City of Santa Ana (“City”) and the Housing Authority of the City of Santa Ana (“Housing Authority”) have reviewed the Developer’s request for assistance, and at the City Council / Special Housing Authority meeting on July 18, 2023, the City Council and Housing Authority Board authorized and approved issuance of this pre-commitment letter evidencing the preliminary award of (collectively, the “City Assistance”):

- A grant in the maximum amount of \$2,021,319 funded from Homeless Housing, Assistance and Prevention (“HHAP”) funds held by the City of Santa Ana for the Project (“HHAP Grant”); and
- Eight (8) U.S. Department of Housing and Urban Development Project-Based Vouchers (“PBV”) from the Housing Authority of the City of Santa Ana.

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 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 general terms:

- The HHAP Grant shall be for a maximum amount of \$2,021,319, or as much thereof as is disbursed for hard and soft costs in constructing the Project, provided from the HHAP funds.
- The provision of HHAP funds will be structured as a grant; therefore, no repayment is due to the City unless the Project is in default.
- Cost savings from the Project, if any, will be applied first to repay the City Assistance, as applicable.
- All other funding sources must be secured through enforceable funding commitments prior to disbursement of any of the HHAP Grant funds.
- An environmental review in compliance with the National Environmental Policy Act is required prior to entering into an Agreement to Enter into a Project-Based Vouchers Housing Assistance Payments Contract for the PBVs committed to the Project.

Project-Based Vouchers:

The basic terms of the award are as follows:

- Funding Source: The eight (8) PBVs will be funded exclusively out of the tenant-based voucher program annual budget authority received by the Housing Authority from the U.S. Department of Housing and Urban Development (“HUD”).
- Rents: The PBV Housing Assistance Payments (“HAP”) Contract rents below are preliminary and contingent upon a reasonable rent determination to be conducted by the Housing Authority at the time of execution of the HAP Contract:
 - One-Bedroom: \$2,219
 - Two-Bedroom: \$2,665

In accordance with HUD regulations and SAHA’s Administrative Plan, these rents are subject to review prior to the execution of a HAP contract.

- Annual Amount: The Project will receive PBVs for the eight (8) TAY units:

Unit Size	30% AMI	
	No. Units	Proposed HAP Contract Rent
One-Bedroom	2	\$2,219
Two-Bedroom	6	\$2,665

The estimated maximum annual amount received under this award is \$245,136. These estimates assume 100% occupancy of the units over the twelve-month period with contract rent amounts limited to the current applicable Santa Ana Housing Authority Payment Standard.

- Term: The HAP Contract will have a term of twenty (20) years. Any time before the expiration of the HAP Contract, the Developer may request an additional twenty (20) years, subject to a determination by the Housing Authority that it is appropriate to continue providing permanent supportive housing for homeless TAY or to expand housing opportunities and HUD funding. Subsequent extensions are subject to the same requirements.
- Units Receiving Assistance: The maximum number of units receiving PBV assistance will be the eight (8) TAY units. The PBVs may not be utilized for the two (2) shared housing units.
- Local Preference: All individuals and families shall be homeless individuals with a preference for local residents from the City of Santa Ana based on the City's local residency screening criteria, subject to compliance with applicable fair housing laws.

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 particular the fundraising amounts currently committed by the Developer, in the form of enforceable funding commitments to develop the Project before staff will return to the City Council for consideration of the HHAP Grant Agreement.
- 100% of the affordable units (less one (1) manager's unit) in the Project will be restricted to homeless households as follows:
 - The eight (8) TAY units will be restricted to homeless TAY households earning no more than 30% of the Area Median Income ("AMI"); and
 - Each bedroom in the two (2) shared housing units will be restricted to homeless senior citizen households earning no more than 50% AMI.
- The Project consists of ten (10) permanent supportive housing units for homeless individuals and families. All individuals and families shall be referred from the Orange County Coordinated Entry System with a preference for local residents from the City of Santa Ana based on the City's local residency screening criteria, subject to compliance with applicable fair housing laws.

- The rent standards for the Project must comply with the strictest of the standards imposed by the funding sources contributed to the Project, as applicable. The HHAP rent standards are set forth as follows:
 - The maximum affordable rent for the eight (8) TAY units will be set at the 30% AMI rent limit as published by the California Department of Housing and Community Development (“HCD”) for the Multifamily Tax Subsidy Programs (“MTSP”); and
 - For the three-bedroom shared housing units, the total rent payments must not exceed the 50% MTSP AMI rent limit for a three-bedroom unit. Additionally, each tenant’s rent must not exceed the lesser of:
 - One-third (1/3) of the 50% MTSP AMI rent for a three-bedroom unit; or
 - Thirty percent (30%) of the household’s actual income (inclusive of Supplemental Security Income / State Supplementary Payment payments).
- Illumination Foundation will provide/pay for case management / social service expenses outside of the Project’s operating budget.
- Illumination Foundation will cover any operating losses during the City’s 55-year affordability period.
- Given that Illumination Foundation is proposing to provide a loan to the Project from one of its affiliated entities, Illumination Foundation will incorporate a standstill provision that prohibits Illumination Foundation from foreclosing on the Project
- 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 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 adaptive reuse and construction (as applicable) of an eleven (11) unit affordable housing complex, with ten (10) units restricted for homeless households, to be located at 918 N. Bewley Street, Santa Ana, CA 92703 (APN 198-231-10).
- The City’s obligation to provide the City Assistance is and shall remain subject to all covenants, conditions, and restrictions set forth in the 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 Grant documents evidencing the City Assistance by the City Council including the Grant Agreement, Affordability Restrictions and Deed(s) of Trust, as reasonably necessary.
- Developer must provide proof that it has received and reviewed three general contractor bids, and that all subcontractors are competitively bid out. Specifically, the Developer must obtain three general contractor bids; all subcontractors must be competitively bid out; and the City must review and approve the final general contractor's contract. The Project will be subject to State of California prevailing wage requirements.
- Execution of the HAP Contract and all necessary documents for the PBV's.
- Compliance with applicable federal regulations set forth in 24 Code of Federal Regulations (CFR) Part 983, and all other federal, state, and local laws and regulations.

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 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 July 18, 2025.

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 or Terri Eggers, Homeless Services Manager, by telephone at (714) 647-5378 or by e-mail at teggers@santa-ana.org.

Sincerely,

On behalf of the City of Santa Ana:

***On behalf of the Housing Authority of
the City of Santa Ana:***

Kristine Ridge
City Manager

Michael L. Garcia
Executive Director

Attest:

Jennifer L. Hall
Clerk of the Council / Recording Secretary

APPROVED AS TO FORM

Sonia R. Carvalho

City Attorney and Authority General Counsel



By: Matthew Cody
Best, Best & Krieger
Special Counsel for the City and Housing Authority