



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**June 21, 2022**

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**TOPIC:** Pre-Commitment of Affordable Housing Funds for Jamboree Housing Corporation and WISEPlace; Density Bonus Agreement; Loan Forgiveness

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**TITLE**

Approve a pre-commitment of \$5,256,327 in HOME - American Rescue Plan funds, \$484,000 in Inclusionary Housing Funds, twenty-five (25) project-based vouchers, a Density Bonus Agreement, and loan forgiveness for Jamboree Housing Corporation and WISEPlace for the development of the WISEPlace Permanent Supportive Housing project located at 1411 N. Broadway (*Contingent upon approval of Housing Authority Item #3*)

**RECOMMENDED ACTION**

**CITY COUNCIL**

1. Authorize the City Manager to execute a pre-commitment letter with Jamboree Housing Corporation ("Jamboree") and WISEPlace for \$5,256,237 in HOME Investment Partnerships Program – American Rescue Plan ("HOME-ARP") funds and \$484,000 in Inclusionary Housing Funds for the development of the WISEPlace Permanent Supportive Housing project located at 1411 N. Broadway, Santa Ana, CA 92706, (APN 398-523-04), subject to non-substantive changes approved by the City Manager and City Attorney.
2. Authorize the City Manager to execute a Density Bonus Agreement with North Broadway Housing Partners LP (c/o of Jamboree and WISEPlace), for a 55-year term, for the development of the WISEPlace Permanent Supportive Housing project located at 1411 N. Broadway, Santa Ana, CA 92706, (APN 398-523-04), subject to non-substantive changes approved by the City Manager and City Attorney.
3. Authorize the City Manager to forgive the existing City loan with WISEPlace for \$723,446.41 in Community Development Block Grant funds outstanding from a Loan Agreement executed in 1996 and amended in 2001.

### **COMMUNITY DEVELOPMENT COMMISSION RECOMMENDATION**

At its regular meeting on May 25, 2022, the Community Development Commission recommended approval of Recommended Action # 1 and 3 for City Council and the Recommended Action # 1 for the Housing Authority, by a vote of 7:0.

### **PLANNING COMMISSION RECOMMENDATION**

At its regular meeting on May 9, 2022, the Planning Commission recommended approval of Density Bonus Agreement Application No. 2022-01, by a vote of 5:0 (Commissioners McLoughlin and Pham absent).

### **HISTORIC RESOURCES COMMISSION ACTION**

At its regular meeting on March 3, 2022, the Historic Resources Commission (“HRC”) considered Historic Exterior Modification Application (“HEMA”) No. 2022-02 to allow exterior modifications to the historic Santa Ana-Tustin Young Women’s Christian Association building located on the subject property. The HRC recommended approval of HEMA No. 2022-02, with added conditions, by a vote of 8:0 (Commissioner Frazier absent).

### **DISCUSSION**

On December 7, 2021, the City Council authorized the Community Development Agency (“CDA”) to release a FY 2021-2022 Request for Proposals (“RFP # 21-136”) to develop affordable rental and ownership project(s) in the City of Santa Ana with available funds from the Inclusionary Housing Fund, HOME Investment Partnerships (“HOME”) Program, HOME-American Rescue Plan (“HOME-ARP”) Program, Project-Based Voucher Program, and the Neighborhood Stabilization Program fund (Exhibit 1). The RFP also included one land asset owned by the Housing Authority of the City of Santa Ana. The RFP was prepared in compliance with the City’s Affordable Housing Funds Policies and Procedures amended by City Council on August 18, 2020.

Following this approval, on December 8, 2021, CDA issued RFP # 21-136 for Affordable Housing Development. The RFP was published on both the City and Housing Authority’s websites and Planet Bids; a public notice was published in the OC Register on December 10, 2021; an e-mail was sent out by Orange County’s largest affordable housing membership associations including the Kennedy Commission, 2-1-1 Orange County, and the Southern California Association of Nonprofit Housing; and a letter was e-mailed to interested developers and nonprofit organizations who had previously requested to be informed of development opportunities on CDA’s RFP Process Database.

The deadline for the City’s RFP # 21-136 for Affordable Housing Development closed on Monday, February 28, 2022 at 5:00 p.m. The City received three (3) eligible proposals prior to the deadline (two proposals were determined to be ineligible). The affordable housing developers that submitted a proposal are:

<b>Affordable Housing Developers</b>
Jamboree / WISEPlace
C&C Development
Habitat for Humanity

After the deadline, staff conducted a minimum threshold review of each proposal to ensure compliance with the RFP requirements. Following the minimum threshold review, staff formed a Review Panel that consisted of the Assistant City Manager/Executive Director of the Community Development Agency, the Executive Director of the Planning and Building Agency, the Principal Civil Engineer of the City's Public Works Agency, the Housing Division Manager and the Housing Programs Analyst. Keyser Marston Associates and RSG, Inc. also served as third party advisors to the Review Panel.

In compliance with the City's Affordable Housing Funds Policies and Procedures, the Review Panel used the proposal Scoring and Selection Criteria from the RFP to conduct their review and analysis of each proposal. In addition to the Scoring and Selection Criteria from the RFP, the Review Panel also reviewed the proposed project design for appropriateness for the proposed target group, compatibility with surrounding uses, cost effectiveness of construction, and appropriateness of the design and construction for low maintenance and long term durability.

On May 4, 2022, the Review Panel interviewed all of the developers who submitted a proposal. Following these interviews, the Review Panel discussed and deliberated upon the final scoring and selection of the proposals. The Review Panel agreed upon the final scores below based on an average of the individual reviewer scores:

<b>Developer Name</b>	<b>Project Name</b>	<b>Final Score</b>
Jamboree/WISEPlace	WISEPlace Permanent Supportive Housing	95
Habitat for Humanity	Washington Ave.	75
C & C Development	Borchard & Minnie Apartments	Pending Further Negotiation

Based on the scores above and the deliberative selection and review process followed by the City, the Review Panel recommends the following award for this project:

**Developer:** Jamboree / WISEPlace  
**Project Name:** WISEPlace Permanent Supportive Housing  
**Award Recommendation:**

HOME-American Rescue Plan ("HOME-ARP") Funds	\$5,256,327
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Inclusionary Housing Funds	\$484,000
Project-Based Vouchers	Twenty-Five (25)

The pre-commitment letter for Jamboree and WISEPlace provides the enforceable funding commitment from the City for \$5,256,327 in HOME-ARP funds, and twenty-five (25) project-based vouchers for the development of the WISEPlace permanent supportive housing project located at 1411 N. Broadway, Santa Ana, CA 92706 (APN 398-523-04) (Exhibit 2).

The pre-commitment letter also includes a provision for an additional award of \$484,000 in Inclusionary Housing Funds for relocation benefits, if necessary. This is because there are currently 20 shelter residents at WISEPlace. As occupants of transitional housing/an emergency shelter, WISEPlace clients do not meet the definition of a displaced person, because the housing they occupy is not permanent housing, and they do not pay for the housing. The purpose of the housing they currently occupy is temporary housing until they are matched with a permanent housing option. The units/beds they occupy does not meet the definition of a “dwelling” under the Uniform Relocation Act (“URA”), and further, the Department of Housing and Community Development issued guidance indicating that the temporary sheltering of homeless persons does not trigger “tenancy” under Civil Code section 1940 and related provisions.

However, while WISEPlace and Jamboree nor the City of Santa Ana have a legal requirement to provide relocation assistance to WISEPlace residents in the event they are not matched with an alternative housing or shelter option prior to the start of construction and would need to vacate the site, WISEPlace and the City will each provide \$484,000 in a 50/50 split, if relocation assistance are to be provided to the site occupants per the same requirements of the URA or CA Relocation Regulations. If the 20 current WISEPlace residents are provided relocation assistance as calculated per the requirements as the URA and California State Relocation Regulations, the estimated total for relocation payments will be \$968,000. WISEPlace will work with staff to relocate their 20 residents prior to the start of construction of the project. However, this additional assistance will provide a guarantee that full relocation benefits are available, if necessary, to the current residents if WISEPlace is unable to relocate them.

Among various other conditions in the pre-commitment letter, one of the primary conditions is that the developer must provide verification that it has secured all of its remaining financing for the development of the project in the form of the other enforceable funding commitments in the project’s capital stack, which may include 9% or 4% Federal Low Income Housing Tax Credits, State Housing Tax Credits, a commitment of affordable housing funds from the County of Orange or State of California, Section 8 project-based vouchers from the Orange County Housing Authority, or any other funding source needed in the project’s capital stack to develop the Project and close on the financing, before staff

will return to the City Council for consideration of the Loan Agreements for this project. The pre-commitment letter is also conditional on the developer securing any and all permits and discretionary approvals that may be required for the Project by the City. The pre-commitment does 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 of the Project.

In compliance with the City's Affordable Housing Funds Policies and Procedures, KMA has conducted a preliminary financial gap analysis to confirm the project's underwriting, the financial gap, and other programmatic requirements related to the funding sources (Exhibit 3). KMA reviewed the developer's estimates and projections of rents, expenses, reserves and development costs in accordance with industry-standard underwriting guidelines. Following this preliminary financial gap analysis and the procurement and deliberative process described above, staff recommends the full amount of the award to City Council for final approval.

### **Project Description**

Following the RFP process, Jamboree in partnership with WISEPlace is being recommended by staff as the developers to co-develop an affordable housing community at 1411 N. Broadway (the "Project"). The proposed name for the Project is WISEPlace Permanent Supportive Housing ("WISEPlace PSH"). Renderings of the Project are attached as Exhibit 4.

Jamboree is an experienced affordable and permanent supportive housing developer focused on developing and rehabilitating housing throughout California. Since 1990, Jamboree has successfully built a portfolio of over 100 projects comprising over 10,000 units. Jamboree currently has \$1.1 billion in permanent supportive housing, affordable and special needs housing projects under development and an estimated \$3.2 billion in developments in its portfolio. Jamboree has extensive affordable housing financing experience, including securing 4% and 9% low income housing tax credits, and is well versed in navigating regulatory complexities.

Jamboree is one of the leading non-profit developers of a wide range of housing and community developments that serve families and individuals not served by traditional market rate developers. Jamboree develops, acquires, renovates, and manages high quality and permanently affordable family, senior and supportive housing communities throughout the State of California. Jamboree has experience developing and operating communities in Santa Ana including the recently opened permanent supportive housing project Heroes Landing, which is exclusively for veterans. Additionally, Jamboree has four completed developments in Santa Ana including Heroes' Landing, First Point I and II, Metro East and Cornerstone, and one development under construction, North Harbor Village.

Jamboree has formed a qualified team to design and partner with in supporting the ongoing mission of the property. This includes, as Administrative General Partner and supportive services provider, the local non-profit WISEPlace, architecture firm Architecture Design Collaborative, the Orange County Health Care Agency, the Orange County Housing Finance Trust, and experienced property management firm Quality Management Group. On May 18, 2022, the Orange County Housing Finance Trust (“OCHFT”) approved an award of \$2,480,030 in funding. Councilmember Penaloza voted in support of this award as City Council’s appointee to the OCHFT Board.

Since 1924, WISEPlace has served our homeless population, including unaccompanied women. WISEPlace has transformed the lives of more than 8,400 individuals experiencing homelessness since inception in the 1920s. Through the “WISEPlace Way”, clients can achieve personal stability through case management and counseling, financial empowerment, employment assistance, health and wellness, socialization activities, addiction recovery, housing retention assistance and the setting of and completion of personal goals. WISEPlace’s 90+ year history of serving the community has shown that these are the components necessary to help prevent and end homelessness.

### **Project Site**

Jamboree, in partnership with WISEPlace, is proposing to develop 0.6 acres located on the site of WISEPlace’s current headquarters at 1411 N. Broadway. The site is located along Broadway and Sycamore Street, between 15<sup>th</sup> Street and Washington Avenue. Main Street, one block east of Sycamore Street, has regular Orange County Transportation Authority bus service including Routes 53 and 83. The site is within one-quarter mile of the Orange County Transportation Authority Route 60, with a stop at 17<sup>th</sup> Street and Broadway. The Project is within one mile of the Santa Ana Regional Transportation Center.

The Project site consists of an L-shaped parcel developed with a one- to two-story institutional building located within the Broadway Corridor District of the Midtown Specific Plan (SP-3) zoning designation. Through the City’s Adaptive Reuse Ordinance (“ARO”), residential use will be allowable by right. The existing one-story East-West wing facing Broadway will be renovated as part of an adaptive reuse, including three (3) units with the existing landmark building. The four-story new construction portion will face Sycamore and will have an additional 45 units. The Project will not require a zone change or amendment to the current land use through the ARO. The proposed development gained unanimous approval from the Historic Resources Commission on March 3, 2022 and the Planning Commission on May 9, 2022.

### **Proposed Project**

The proposed Project includes 47 studio Permanent Supportive Housing (“PSH”) units and one (1) two-bedroom manager’s unit. 100% of the units will be set aside for extremely low-income households at 30% Area Median Income. The studio units will be designated as PSH for persons experiencing chronic homelessness. Fourteen (14) units will serve

individuals experiencing chronic homelessness with a mental illness, financed by the Mental Health Services Act (“MHSA”). Services will be provided for these residents on site by the Orange County Health Care Agency.

The project consists of the adaptive reuse of the one-story East-West wing facing Broadway, in order to preserve the landmark status of the existing building. The existing North-South wing facing Sycamore will be demolished to accommodate the new construction of a four-story building, with a podium-parking garage on the ground floor and three levels of wood frame construction above. The massing on the fourth floor facing Broadway is stepped back to provide a seamless indoor-outdoor community room space on the fourth floor. The building architecture is complementary to the existing building’s Spanish Colonial Revival style, while being differentiated and distinguishable from the existing architecture. The sight lines along Broadway are preserved to maintain the historic character from that street frontage. The ground floor amenities include a community garden, barbeque area and seating, dog run, and renovation of the existing patio and planters. The indoor amenities include two community rooms, a community kitchen, laundry rooms on each floor, a computer room, and a fitness center.

### **Resident Services**

WISEPlace will coordinate the delivery of all services, including those anticipated to be committed through the Orange County Health Care Agency. A comprehensive range of services will be offered to assist residents achieve and maintain self-sufficient, healthy and purposeful lives. Working under the Housing First model and the “WISEPlace Way”, WISEPlace will utilize strategies from an array of evidence-based models and practices to ensure residents have access to all required services.

Thanks to the customized WISEPlace Way of comprehensive, person-centered wrap around services, even in highly vulnerable populations, personal self-sufficiency can be reached. In 2021, WISEPlace achieved the following outcomes:

- 77% of clients transitioned into stable housing
- 72% of clients increased their savings
- 39% of clients decreased their mental health symptoms
- 100% of clients were linked with benefits and resources
- 95% of clients retained housing

The Project will provide on-site supportive services for the PSH residents that provide stability, community, and life skills training to adults diagnosed with a mental illness who are homeless. An on-site Resident Clinical Services Coordinator will provide case management services for the MHSA units.

WISEPlace will provide wrap-around services and coordination to activate the community amenity spaces on site to meet the needs of all residents. An on-site Case Worker and Resident Services Coordinator will create a Supportive Services Plan for the PSH

community, ensuring residents have access to needed services to maintain housing, on-site community building activities, and links to partner organizations.

### **Community Inclusion**

As part of the development process, the development team has engaged local partners to provide input on the proposed development. The Project team held two community outreach meetings open to the public in February and March 2022. The team also met with the Willard, Downtown, and Floral Park Neighborhood Associations. The development has also received letters of support from several community organizations including but not limited to Santa Ana Rotary, Dr. Snow of UC Irvine, Santa Ana Elks, United Way, United to End Homelessness, Providence, Assistance League, Mariposa, Working Wardrobes, Santa Ana Kiwanis, and Justice League.

The one-story adaptive reuse project will include commercial in the existing community room space facing Broadway. A museum displaying the history of the Y.W.C.A. and landmark building will be open to the public during regular business hours. WISEPlace plans to partner with community organizations such as Orange County School of the Arts for periodic art installations as well.

Finally, WISEPlace will continue to serve the broader community out of the development as it will maintain its headquarters on-site upon completion.

### **Parking**

The proposed site plan includes 20 covered parking spaces in the gated parking garage with an entrance on Sycamore Street. The parking ratio is 0.42 spaces per PSH unit. While the development team has included 20 parking stalls, PSH located near transit is not required to provide any parking under State law. The developer has agreed to provide a Parking Management Plan as part of the Density Bonus Agreement.

### **Unit Mix**

The target population for WISEPlace PSH includes individuals experiencing chronic homelessness with a local preference for residents of the Santa Ana community. Fourteen (14) units will serve special needs formerly homeless with a mental illness. A total of 47 studio units (100%) are reserved for extremely low-income individuals at or below 30% of the Area Median Income (AMI). These 47 units are specifically designated for permanent supportive housing for persons who are experiencing chronic homelessness. The proposed unit mix and rent restrictions are as follows:

<b>Bedroom Size</b>	<b>30% AMI (PSH)</b>	<b>Manager's Unit</b>	<b>Total Units</b>
Studio	47		47
Two-Bedroom		1	1
<b>TOTAL</b>	<b>47</b>	<b>1</b>	<b>48</b>

### Density Bonus Agreement

Jamboree requires approval of a Density Bonus Agreement (“DBA”) to allow the construction of the WISEPlace PSH Project (Exhibit 5). The Planning Commission recommended approval of the Density Bonus Agreement on May 9, 2022 by a vote of 5:0 (Commissioners McLoughlin and Pham absent) (Exhibit 6). In order for the Planning Commission to recommend approval of the Density Bonus Agreement, the Historic Resources Commission recommended approval of the Project on March 3, 2022 by a vote of 8:0 (Commissioner Frazier absent) (Exhibit 7). Jamboree has paid the City's Density Bonus Setup fee in the amount of \$22,097.27 to prepare the agreement.

The California Density Bonus law allows developers proposing five or more residential units to seek increases in base density for providing on-site housing units in exchange for providing affordable units on site. To help make constructing on-site affordable units feasible, the law allows developers to seek up to three incentives/concessions and an unlimited number of waivers, which are essentially variances from development standards that would help a project be built without significant burden and without detriment to public health. The first version of the Density Bonus Law was adopted in 1979 and has since been amended at various times. Recent revisions allow affordable housing developers to request incentives/concessions and/or waivers for 100-percent affordable developments, even if they do not require a numerical density bonus. Moreover, in early 2017, the law was amended to restrict the ability of local jurisdictions to require studies to “justify” the density bonus and requested incentives/waivers and places the onus on local jurisdictions to prove that the incentives/concessions or waivers are not financially warranted.

The purpose of the State Density Bonus Law is to encourage the development and availability of affordable housing by requiring the inclusion of affordable housing units within new developments. Pursuant to California Government Code sections 65915 (d)(1) and 65915 (e)(1), a local jurisdiction is limited in its ability to deny requested concessions and waivers and is preempted from denying the Density Bonus Agreement application. Due to the project's 100-percent affordability the developer can seek up to three density bonus concessions and unlimited waivers, pursuant to Section 65915 et al. of the California Government Code (Density Bonuses and Other Incentives). Although the City has analyzed the Project for several areas of concern, the conditions of approval proposed for the Project are intended to address any of the Project's potential impacts. Table 1 outlines the incentives/concessions and waivers requested by Jamboree and WISEPlace:

**Table 1 Requested Incentives/Concessions**

Standard	Required	Provided
Building Height and Number of Stories	The maximum building height for all buildings is 35 feet, or three stories, whichever is less – <b><i>Broadway Corridor District of the Midtown Specific Plan (SP-3) zoning designation</i></b>	The new building is proposed at a height of 54 feet and 6-inches and four stories – <b><i>Requires Concession (1 of 3), Cal. Gov't Code Sec. 65915 (d)(1)(2)(B)</i></b>

Standard	Required	Provided
Underground Utility Installations	All utilities as part of the proposed project shall be required to be installed underground – <b>Section 41-626 of SAMC - Underground utility installations.</b>	All proposed utilities will be undergrounded with the exception of existing overhead power lines over the existing building along with recorded Southern California Easement (to remain) – <b>Requires Concession (2 of 3), Cal. Gov't Code Sec. 65915 (d)(1)(2)(B)</b>

As designed, the Project is eligible to exercise its ability to seek State density bonus incentives and/or concessions because it is a 100-percent affordable project for permanent supportive housing. However, the Project does not seek an increase in allowable dwelling units as the Project is designed as an adaptive reuse project. Pursuant to Article XVI.II (Adaptive Reuse) in the SAMC, adaptive reuse projects can exceed the maximum general plan density provided the adaptive reuse project complies with the development standards.

In addition, the site is parked in compliance with California Government Code Section Cal. 65915 (p)(4). Pursuant to the California Density Bonus Law, and upon the request of the developer, a City cannot impose any minimum vehicular parking requirement for a rental supportive housing development, as defined in Section 50675.14 of the California Health and Safety Code. Although not required to provide parking, the site provides twenty (20) total parking spaces, or 0.42 spaces per unit, which includes two accessible parking stalls. Lastly, pursuant to the adaptive reuse ordinance, parking spaces are not required for any converted use within the building. Therefore, no parking is required for the administrative/residential portions of the converted building within the one-story portion of the building.

#### *Key Terms in the Density Bonus Agreement*

The following is a list of key terms in the Density Bonus Agreement:

- **Term of Agreement.** The term of the Agreement shall commence on June 21, 2022 and shall continue until the date that is fifty-five (55) years after the City issues the last certificate of occupancy for the Project.
- **Project.** Developer shall develop, operate, and maintain, or cause the development, operation and maintenance of, the Property as a forty-eight (48) unit rental residential community, with forty-seven (47) Affordable Units for Extremely Low Income Tenants.
- **Unit Mix.** No less than forty-eight (48) Units, which shall be comprised of forty-seven (47) studio units designated as Affordable Units pursuant to the terms and conditions of the Agreement.
- **Affordable Rent Schedule.** The rents shall be the maximum Monthly Rent that may be charged to and paid by an Extremely-Low Income Tenant whose income

does not exceed thirty (30%) of the area median income for Orange County.

- **Selection of Tenants.** Each Affordable Unit shall be leased to Eligible Households that are chronically homeless and document-ready individuals on the Coordinated Entry List. All residents will be referred from the County of Orange Coordinated Entry System. Developer shall give preference in leasing units to households that live and/or work in the City of Santa Ana or who have an active Housing Choice Voucher.
- **Onsite Supportive Services, Programs and Amenities.** Developer shall provide residents of the Project, or cause to be provided to residents of the Project, access to discounted or no-cost onsite supportive services, programming and amenities that promote independent living and economic mobility and include but are not limited to health and wellness services, social activities, and physical or recreational amenities.
- **Maintenance.** Owner shall, at all times during the term of this Agreement, cause the Property and the Project to be maintained in a decent, safe and sanitary manner, regardless of cause of the disrepair, to the extent commercially reasonable.
- **Onsite Parking Management Plan.** Developer has agreed to provide twenty (20) onsite parking stalls for residents and visitors of the Project and actively monitor the parking demand of the Project site. Developer shall continually monitor and take commercially reasonable measures to manage the parking demand of the Project site - to mitigate the use of offsite parking spaces on private or public properties and/or right-of-way. Prior to issuance of the Certificate of Occupancy, Developer shall submit and obtain approval from the Planning and Building Agency of a Parking Management Plan ("PMP") to address the parking demands of the Project. The approved PMP shall be adhered to and be enforced by the Project at all times.

The Density Bonus Agreement has been pre-signed by the developer indicating their acceptance of the terms. The agreement is not considered final until the City Council has reviewed and approved the agreement, and the agreement is executed by all parties.

### **CDBG Loan Forgiveness**

In 1993, the former Community Redevelopment Agency of the City of Santa Ana ("Former Agency") provided WISEPlace, formerly known as the YWCA of South Orange County, a \$50,000 predevelopment loan of tax increment funds for the purposes of developing a Single Room Occupancy Hotel ("SRO") project on the site. However, this project was deemed financially infeasible by the Former Agency, and in August 1999, the \$50,000 predevelopment loan was forgiven by the Former Agency.

In 1996, the City provided WISEPlace a \$900,000 loan of Community Development Block Grant ("CDBG") funds ("CDBG Loan") to finance the rehabilitation of the site for the purposes of providing permanent affordable rental housing. The CDBG Loan was

structured with a 55-year term and a 1% simple interest rate. The loan repayments were to be made from 50% of the project's residual receipts.

In 2001, the City amended the terms of the CDBG Loan. At that time, the outstanding principal balance of the loan was set at \$916,265, which consisted of two components: (1) a \$250,000 component, and (2) a \$666,616 component. The amended promissory note set the loan term at 55 years – starting in 2002 and ending in 2056. The interest rate was set at 1% and was applied to the \$666,265 component of the CDBG Loan, which resulted in annual interest payment of \$6,662.65 per year.

WISEPlace was required to make interest only payments of \$6,662.65 per year for the 55-year loan term. However, as long as the project was not in default, the amended promissory note required the City to forgive \$16,666 of the CDGB Loan per year for the first 15 years. This resulted in \$250,000 of the \$916,265 CDBG Loan being forgiven. The current outstanding loan balance is currently \$723,446.41. Per the terms of the amended promissory note, WISEPlace is required to continue paying annual interest only payments until the end of the loan term in 2056. The entire balance of the CDBG Loan (\$723,446.41 plus interest) will become due and payable at that time.

The current financial structure of the Project requires WISEPlace to enter into a long-term ground lease with a to-be-formed Tax Credit partnership. The Tax Credit partnership will consist of WISEPlace, Jamboree and a Tax Credit Investor. However, per discussions with Jamboree and WISEPlace, the Tax Credit partnership cannot assume any of WISEPlace's existing debt – including the existing CDBG Loan. Furthermore, given that the Tax Credit partnership will be ground leasing the site from WISEPlace, there are no available sales proceeds to pay off the existing CDBG Loan. As such, to effectuate the proposed WISEPlace PSH project, WISEPlace is requesting forgiveness of the existing CDBG Loan.

Staff recommends that the City Council approve WISEPlace's CDBG Loan forgiveness request. As discussed above, the amended promissory note already allowed for loan forgiveness during the first 15 years of the loan term. The additional loan forgiveness would be in line with past City actions regarding loans provided to WISEPlace. In addition, the CDBG Loan is structured with interest only payments; therefore, none of the outstanding principal balance is currently being paid down. This would leave an outstanding balance of \$723,446.41 plus interest to be repaid in full in Year 2056. Additionally, as part of the proposed Project, the City will be placing new City loan(s) on the Project. Thus, the City will still be entitled to receive residual receipts from the PSH project.

### **ENVIRONMENTAL IMPACT**

Pursuant to the Adaptive Reuse Ordinance (Ordinance No. NS-2874), the proposed project is found and determined to be consistent with the General Plan of the City of Santa Ana. Therefore, in accordance with the California Environmental Quality Act, the

recommended action is exempt from further review under Section 15194 (Affordable Housing Exemption), as this project meets all the required criteria as a 100-percent affordable/permanent supportive housing development. Based on this analysis, a Notice of Exemption, Environmental Review No. 2022-05 will be filed for this project.

### **FISCAL IMPACT**

The various agreements, including the loan agreements, are estimated to be finalized for City Council approval in FY 2022-23. Upon future approval of the loan agreements, funds will be budgeted and available as shown below:

<b>Fiscal Year</b>	<b>Accounting Unit – Account #</b>	<b>Fund Description</b>	<b>Accounting Unit, Account Description</b>	<b>Amount</b>
FY 22-23	18218780-69152	HOME-ARP Program	Loans & Grants	\$5,256,327
FY 22-23	41718820-69152	Inclusionary Housing Fund	Loans and Grants	\$484,000
<b>Total Loans</b>				<b>5,740,327</b>

The forgiveness of the CDBG Loan will have two impacts. First, the \$6,662.65 per year for the remainder of the loan term will no longer be paid to the City. Second, the entire balance of the CDBG Loan due to the City will be forgiven and no longer payable to the City.

### **EXHIBITS**

1. [Staff Report from December 7, 2021](#)
2. Pre-Commitment Letter with Jamboree and WISEPlace
3. Preliminary Financial Gap Analysis by Keyser Marston Associates
4. Proposed Project Renderings / Preliminary Site Plan
5. Density Bonus Agreement
6. [Planning Commission Staff Report from May 9, 2022](#)
7. [Historic Resources Commission Staff Report from March 3, 2022](#)

Submitted By: Steven A. Mendoza, Assistant City Manager

Approved By: Kristine Ridge, City Manager