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

TOPIC: Crossroads at Washington Affordable Housing Project at 1126, 1136, & 1146 East Washington Avenue

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AGENDA TITLE:

Public Hearing - For the Crossroads at Washington affordable housing project located at 1126, 1136, & 1146 East Washington Avenue: Approve two Loan Agreements for a total combined amount of $4,644,909 and a Development Impact Fee Deferral Agreement with Washington Santa Ana Housing Partners, L.P.; Approve two Subordination Agreements with U.S. Bank and the County of Orange; Approve an Additional Award of up to Eight Project-Based Vouchers for a combined total of 15 Project-Based Vouchers; Approve revisions to the joint sixty-five (65) year Ground Lease with Washington Santa Ana Housing Partners, L.P. and the County of Orange; and Approve a draft Land Use Covenant and Equitable Community Revitalization Grant Agreement with the State of California Department of Toxic Substances Control (Non-General Fund) *(Contingent upon approval of City Council Item # 68)*.

RECOMMENDED ACTION

HOUSING AUTHORITY

1. Approve an award of up to eight additional project-based vouchers, for a combined total of 15 project-based vouchers, and authorize the Executive Director of the Housing Authority to execute an Agreement to enter into a Project-Based Vouchers Housing Assistance Payments Contract with Washington Santa Ana Housing Partners, L.P. for the development of the Crossroads at Washington affordable housing project located at 1126, 1136, & 1146 East Washington Avenue, Santa Ana, CA 92701, (APNs 398-092-14 and 398-092-13), subject to non-substantive changes approved by the Executive Director of the Housing Authority and Authority General Counsel.

2. Authorize the Executive Director of the Housing Authority to execute proposed revisions to the joint sixty-five (65) year Ground Lease with Washington Santa Ana Housing Partners, L.P. and the County of Orange, for the development of the

Crossroads at Washington affordable housing project located at 1126, 1136, & 1146 East Washington Avenue, Santa Ana, CA 92701, (APNs 398-092-14 and 398-092-13), subject to non-substantive changes approved by the Executive Director of the Housing Authority and Authority General Counsel.

3. Authorize the Executive Director of the Housing Authority to execute a Land Use Covenant with the State of California Department of Toxic Substances Control to protect present or future human health or safety or the environment as a result of the presence of hazardous materials on the property at 1126, 1136, & 1146 East Washington Avenue, Santa Ana, CA 92701, (APNs 398-092-14 and 398-092-13), subject to approval as to form by the Authority General Counsel.

4. Authorize the Executive Director of the Housing Authority to execute an Equitable Community Revitalization Grant Agreement with the State of California Department of Toxic Substances Control to address and remediate present or future human health or safety or the environment as a result of the presence of hazardous materials on the property at 1126, 1136, & 1146 East Washington Avenue, Santa Ana, CA 92701, (APNs 398-092-14 and 398-092-13), subject to approval as to form by the Authority General Counsel.

5. Adopt a Resolution approving the Ground Lease of the Housing Authority-owned property at 1126, 1136, & 1146 East Washington Avenue, Santa Ana, CA 92701, (APNs 398-092-14 and 398-092-13) as required under California Health and Safety Code Section 33433.

EXECUTIVE SUMMARY

On five separate meetings, City Council has unanimously approved various actions for the development of the Crossroads at Washington project. This Staff Report is the culmination of all of the previous actions by City Council and will allow The Related Companies of California to close on their financing and develop the project on the Housing Authority-owned property that has been joined with the County's property. The Crossroads at Washington project will have 85 new affordable units and 1 manager's unit, with 42 three- and four-bedroom units for large families, and 43 one- and two-bedroom affordable units for persons experiencing homelessness. 100% of the units will be for extremely low-income households at 30% Area Median Income.

For the City Council actions, regarding the two Loan Agreements, on July 2, 2019, City Council approved an award of $3,971,440 in funding and on August 17, 2021, City Council increased that award by $333,742 to pay for an increase in development costs. The action herein includes another increase of $339,727 in additional funds to pay for an unanticipated increase in development costs. Regarding the Development Impact Fee Deferral Agreement, this will further assist the project to offset their increase in development costs. Regarding the Subordination Agreements, U.S. Bank and the County of Orange require the City to subordinate our loans to their senior loans. Staff is also seeking approval for future Subordination Agreements by various lenders that may be required after the project is completed.

For the Housing Authority actions, the eight additional project-based vouchers are necessary to pay for an unanticipated increase in development costs. Combined the project will have up to 15 project-based vouchers from Santa Ana together with 43 project-based vouchers from the Orange County Housing Authority. Regarding the amendments to the Ground Lease, revisions were requested by U.S. Bank in order for the bank to approve their senior loan for the project. Finally, the Land Use Covenant and the Equitable Community Revitalization Grant ("ECRG") Agreement with the State of California Department of Toxic Substances Control are required because the joint Housing Authority and County property was found to have environmental contaminants. The Land Use Covenant restricts all future development on the specific portions of the property with remaining environmental contaminants and the ECRG funds will support additional remediation activities.

DISCUSSION

On July 2, 2019, City Council authorized the City Manager to execute a pre-commitment letter with The Related Companies of California ("Related") and A Community of Friends ("ACOF") for $3,971,440 in affordable housing funds consisting of $3,007,489 in HOME Investment Partnerships Program funds and $963,951 in Neighborhood Stabilization Program ("NSP") funds for the development of the Crossroads at Washington affordable housing project located at 1126, 1136, & 1146 East Washington Avenue, Santa Ana, CA 92701, (APNs 398-092-14 and 398-092-13) (the "Project"). The Staff Report from July 2, 2019 is attached as Exhibit 1 and the pre-commitment letter is attached as Exhibit 2.

On August 17, 2021, City Council authorized the City Manager to execute a First Amended and Restated pre-commitment letter for an additional $333,742 in Neighborhood Stabilization Program funds to pay for an unanticipated increase in development costs. The Staff Report from August 17, 2021 is attached as Exhibit 3 and the first amended and restated pre-commitment letter is attached as Exhibit 4.

After City Council approves a pre-commitment of funding for an affordable housing project, it takes a substantial amount of time for a developer to address all development issues and secure their remaining sources of financing in their capital stack. After three years since Related and ACOF received a pre-commitment of funding from the City, Related and ACOF are prepared to close on their financing and begin construction of the Project.

In order for Related and ACOF (the "Developer") to develop the Crossroads at Washington Project and in accordance with the first amended and restated pre-commitment letter approved by City Council on August 17, 2021, staff is recommending approval of a Loan Agreement for $3,007,489 in HOME Investment Partnerships Program funds, a Loan Agreement for $1,637,420 in Neighborhood Stabilization Program ("NSP") funds (which includes an additional award of $339,727 in NSP funds), a Development Impact Fee Deferral Agreement, and two Subordination Agreements with U.S. Bank, National Association and the County of Orange as senior lenders. In addition, the following items are also required for this Project to move forward: 1) an award of eight additional project-based vouchers; 2) a revised joint sixty-five (65) year Ground Lease; 3) a Land Use Covenant; and 4) an Equitable Community Revitalization Grant Agreement. These various actions and Agreements are summarized in detail below, followed by a description of the Project.

<u>Loan Agreement – HOME Investment Partnerships Program Funds</u>
The HOME Investment Partnerships Program Loan Agreement is attached as Exhibit 5. The following loan terms are incorporated into the Loan Agreement:

- **Borrower:** Washington Santa Ana Housing Partners, L.P., which is a California limited partnership formed by Related and ACOF.

- **Loan Amount:** $3,007,489 principal amount from the HOME Investment Partnerships Program (the "HOME Program")

- **Interest Rate:** 3% simple interest per year

- **Term:** Sixty-two (62) years from the date of issuance of the Certificate of Completion for the Project.

- **Terms of Repayment:** Repaid from twenty-four (24%) of residual receipts (pro-rata with payments due in connection with other financing provided) calculated by taking the Gross Revenues from the Property for each year, less deductions for annual Operating Expenses.

- **Disbursement Schedule/Budget:** 90 percent of the funds will be disbursed upfront for the construction, with a 10 percent contingency.

- **Selection of Tenants**: Except for the permanent supportive housing units covered by the 43 project-based vouchers provided by the Orange County Housing Authority, a local preference shall be given to residents that live and/or work in the City of Santa Ana. [On February 18, 2020, City Council adopted a resolution granting consent to the Orange County Housing Authority to administer project - based vouchers in the City of Santa Ana for the development of the Project.]

The HOME Loan Agreement has been pre-signed by Related to acknowledge their acceptance of the terms.

Loan Agreement – Neighborhood Stabilization Program Funds

The Neighborhood Stabilization Program Loan Agreement is attached as Exhibit 6. All of the loan terms are the same as the HOME Loan Agreement above except for the Loan Amount below:

- **Loan Amount:** $1,637,420 principal amount from the Neighborhood Stabilization Program

- **Disbursement Procedures:** 100% of the NSP Loan will be disbursed by the City after the Agreement is recorded

This Loan Amount includes $339,727 in additional NSP funds to pay for an unanticipated increase in development costs. On August 17, 2021, City Council authorized the City Manager to execute a first amended and restated pre-commitment letter for an additional $333,742 in NSP funds to pay for an unanticipated increase in development costs. Since that date, the Developer's costs have continued to increase due to an increase in the interest rate on the permanent loan and increase in construction costs. The increase in construction costs is primarily due to inflation and the increase in construction labor and materials. With City Council's approval of the NSP Loan Agreement, the new combined total amount of NSP funds for the Project is $1,637,420. The origin of the City's NSP funds is from the American Recovery and Reinvestment Act of 2009 and HUD will rescind these funds if the City does not use them.

The NSP Loan Agreement has been pre-signed by Related to acknowledge their acceptance of the terms.

Subordination Agreements

Regarding the Subordination Agreement with U.S. Bank, National Association ("U.S. Bank") the City's total loans for this Project is equal to $4,644,909 compared to U.S. Bank's larger loan for over $33.8 million. As a subordinate loan for a large affordable housing project such as this, it is standard practice for a private market senior lender to request a Subordination Agreement for the City's smaller loans in order to permit the senior lender to complete their underwriting and commit their private market financing. In the case of default, the Subordination Agreement will ensure the senior lender will be paid back before the City's loans. The Subordination Agreement is attached as Exhibit 7.

Regarding the Subordination Agreement with the County of Orange (the "County"), the City's total capital contribution for this Project is larger than the County's capital contribution for $2,650,701. However, when the County's capital contribution is combined with the 43 project-based vouchers being provided from the Orange County Housing Authority, the County's total financial contribution for the Project exceeds the City and Housing Authority's contribution. As a result, the County requires a Subordination

Agreement for the City's loans in order to complete their underwriting and commit their financing. The Subordination Agreement is attached as Exhibit 8.

Regarding the future Subordination Agreements, if needed, with the State of California Department of Housing and Community Development ("HCD"), the California Community Reinvestment Corporation ("CCRC"), and/or the Orange County Housing Finance Trust, these other lenders may request or require the City to subordinate our loans to their loans after the Project is complete and the construction loan is replaced by a permanent loan. For example, HCD requires the City as a subordinate local government lender to enter into a Subordination Agreement. HCD's loan will be disbursed at the permanent loan conversion through the Orange County Housing Finance Trust. Therefore, HCD and/or the Orange County Housing Finance Trust may require a Subordination Agreement with the City after the Project is complete.

Regarding the future Subordination Agreement with CCRC, CCRC is the permanent lender and will be purchasing the construction loan from U.S. Bank. At that point, CCRC will be requesting the City to enter into a Subordination Agreement to subordinate the City's two loans to CCRC's permanent loan.

Any future Subordination Agreement will be approved as to form by the City Attorney's Office prior to execution by the City Manager.

<u>Development Impact Fee Deferral Agreement</u>
The Development Impact Fee Deferral Agreement will defer the collection of the Project's development impact fees until prior to issuance of the certificate of occupancy instead of requiring payment of the fees at the time of building permit issuance. The Agreement is attached as Exhibit 9. The Developer is entitled by State law to deferred payment of fees intended for public facilities or improvements because the deferral of such development impact fees will help facilitate the financing, development and construction of the project. Specifically, California Government Code Section 66007 states that "any local agency that imposes any fees or charges on residential development for the construction of public improvements or facilities shall not require the payment of those fees or charges, notwithstanding any other provision of law, until the date of the final inspection, or the date the certificate of occupancy is issued, whichever occurs first." The specific development impact fees that are part of this deferral request includes the following:

Fee Description	Factor	Factor	Total
Transit Zoning Code Traffic Impact Mitigation Fair Share	$1,333.54 per unit	86 Units	$114,685
Drainage Area Assessment Fee	$7,748.21 per acre	2.286 Acres	$17,712

Sewer Connection Fee	$49.00 per F.U.	562 F.U. (est.)	$25,774
Park Acquisition and Development Fee			$400,448
Fire Facilities	$0.94psf	100,104 SF	$94,098
		TOTAL	**$652,717**

As an affordable housing project, the Project qualifies for this request for deferral of their development impact fees. The Development Impact Fee Deferral Agreement will defer approximately $652,717 of the development impact fees for the development of the Project.

The following terms are incorporated into the Agreement:

- **Fee Deferral and Amount:** The deferred collection of the development impact fees in the estimated amount of approximately $652,717.

- **Deferral Period:** The development impact fees will be deferred until the final inspection or issuance of a certificate of occupancy for the Project, whichever comes first.

- **Extension:** An extension of the Agreement may only be granted by the City Council.

- **Payment Security:** Payment of fee is a personal obligation of the owner, or any successor secured by the property, and if left unpaid, shall be collected as a special lien against the property.

- **Recordation of Agreement and Lien against Property:** The Agreement will be recorded in the Official Records of the County of Orange and the Agreement shall contractually bind the owner to pay the development impact fees and shall constitute a lien against the property.

The intended goal of the collection of development impact fees at the time of building permit issuance is to ensure that the payment of the fees is completed prior to the vesting of development rights by a project developer. Development impact fees for development projects include customary fees to defray costs for the City to provide development services under the permit, outside agency fees as applicable, and established development impact fees. While deferral of collection of development impact fees is not a routine practice, the Developer submitted their request under California Government Code Section 66007 and the City is required to consider their request.

The collection of the development impact fees for a new residential development is to generally fund planned acquisition and development of parks and open space within the City to mitigate the impacts that new developments will have on the demand for parks and open space within the City. While the request will defer the collection of the development impact fees to a later time in the development process, it will not waive or prevent the City from collecting the fees through protections and securities provided to the City under the agreement. Furthermore, the fees will be paid prior to the actual impact, as no residents will be allowed to occupy the Project until payment is received by the City.

The Development Impact Fee Deferral Agreement has been pre-signed by Related to acknowledge their acceptance of the terms.

Award of up to Eight Additional Project-Based Vouchers

On August 17, 2021, City Council approved an award of up to seven project-based vouchers and authorized the Executive Director of the Housing Authority to execute an Agreement to enter into a Project-Based Vouchers Housing Assistance Payments Contract. At the time of that approval, staff reported to City Council that the Developer's costs had increased since their initial award in July 2019. Since that date, the Developer's costs have increased further. On May 6, 2022, Keyser Marston Associates ("KMA") reviewed the Developer's pro forma (as of April 22, 2022) and determined that the Project has an approximately $1.0 million additional financial gap due to an increase in the interest rate on the permanent loan and increase in construction costs. Given the extreme volatility within the construction industry at this time, the cost estimates appear reasonable, and are similar to other affordable housing projects that KMA has recently reviewed.

Therefore, staff are recommending approval of up to eight additional project-based vouchers for the development of the Project to pay for an unanticipated increase in development costs. This will bring the Housing Authority's total contribution to the Project to 15 project-based vouchers ("PBVs"). Staff is recommending an amount *up to* eight additional project-based vouchers contingent upon a review of the Developer's proforma prior to closing to determine if a full award of eight additional PBVs is necessary. If the Developer does not need the full award of 15 PBVs, staff will reduce the PBVs according to the Developer's need prior to closing on their construction loan and/or permanent loan financing.

Proposed Revisions to the Joint Sixty-Five (65) Year Ground Lease

On February 18, 2020, City Council authorized the Executive Director of the Housing Authority to enter into a Joint Powers Agreement with the County of Orange for the joint ownership of the adjacent properties located at 1126 and 1146 E Washington Avenue. At that same meeting, City Council also authorized the Executive Director of the Housing Authority to execute a joint sixty- five (65) year Ground Lease and an Option Agreement with Washington Santa Ana Housing Partners, L. P., a California limited partnership formed by the Developer. The Staff Report from February 18, 2020, is attached as Exhibit 10.

Since that date and during the option term, the Developer conducted a site assessment of the Project area and identified a number of unexpected environmental contaminants. This issue was communicated to City Council on December 15, 2020 and August 17, 2021. To summarize the environmental contamination issue, the Developer retained Altec Testing & Engineering, Inc. ("Altec") during their due diligence period to conduct environmental investigations for the sites. An initial Phase I environmental investigation was conducted on October 19, 2019. A Phase II Environmental Site Assessment ("Phase II") Report was warranted based on the Phase I findings and was prepared by Altec on February 19, 2020. The Phase II identified unexpected contaminants and recommended additional environmental investigations to determine the extent of the soil contamination on the County and Housing Authority-owned properties. In addition, the County retained Geosyntec Consultants, Inc. to provide environmental peer review services and to act as the County's consultant with respect to environmental issues on the property (the City retained services from a City consultant only as needed). Thereafter, and following approval by the Board of Supervisor on August 21, 2021, the County entered into a voluntary oversight agreement with the State of California Department of Toxic Substances Control ("DTSC") that authorized DTSC to serve as the oversight agency for the Project. The Agreement allowed DTSC the ability to facilitate and help coordinate further inspections and investigations, review and approve appropriate remediation measures and documents, and engage the public, as necessary.

Since the Developer did not contribute to the existing on-site environmental contaminants, the Developer has requested to amend the indemnity obligations in the Ground Lease to reflect the preexisting condition of the property related to the existing contaminants. As a result, the County and the Housing Authority staff have negotiated a revised Ground Lease to eliminate the Developer's indemnity obligations associated only with these existing hazardous materials in Section 4.4.4 of the Ground Lease, but to maintain all prior indemnity provisions. With the DTSC approved remediation plan, this should not result in any additional obligations or liability to the Housing Authority or City.

In addition, U.S. Bank as the senior lender for the Project, requested revisions to the Ground Lease as part of their due diligence in order to approve their senior loan. In general, U.S. Bank's revisions seek to protect and enhance their rights as a senior lender. Specifically, U.S. Bank requested revisions throughout the Ground Lease in the following Sections: Annual Operating Expenses, Effective Date, Net Refinancing Proceeds, Net Syndication Proceeds, Preconditions, Ownership of Improvements, contributions to the

Capital Improvement Fund, Damage and Restoration, Transfer of Mortgages of Lessor's Interest, Tenant's Right to Encumber Leasehold Estate, Limitation on Lessor's Termination Right, Leasehold Mortgagee Foreclosure Period, Multiple Leasehold Mortgages, Condemnation and Insurance Proceeds, and Effect of Foreclosure upon Base Rent, Successors and Assigns.

Finally, the City and the County needed to make revisions to the County and Housing Authority's base rents in order incorporate a loan from the Orange County Housing Finance Trust and adjust the residual receipt split.

The revised Ground Lease is attached as Exhibit 11 with these revisions in redline format. The revised Ground Lease has been pre-signed by Related to acknowledge their acceptance of the terms.

Land Use Covenant with the Department of Toxic Substances Control

The property at 1126, 1136, & 1146 East Washington Avenue (the "Property") has been found to have existing on-site environmental contaminants. Following their oversight of the Project, the State of California Department of Toxic Substances Control ("DTSC") has determined that a Land Use Covenant is reasonably necessary to protect present or future human health or safety or the environment as a result of the presence on the property of hazardous materials as defined in Health and Safety Code section 25260. A limited portion of the Property will be subject to the restrictions of the Land Use Covenant ("Restricted Area"), and is more particularly described in Exhibit C of the Land Use Covenant. The Restricted Area is defined and bound by specific GPS coordinates.

The Property has been investigated and/or remediated under DTSC's oversight. DTSC approved a Supplemental Site Investigation, Screening Level Human Health Risk Assessment, and Removal Action Workplan in accordance with Health and Safety Code, division 20, chapter 6.8. The remediation activities conducted at the Property include (1) excavation and offsite disposal of soil contaminated with arsenic, lead, chromium, and petroleum hydrocarbons, and (2) institutional controls to restrict construction over the area of soil vapor contaminated with Tetrachloroethene beneath the western portion of the North parcel. However, hazardous substances, including Tetrachloroethene, remain at the Property above levels acceptable for unrestricted land use.

As a result of the continued presence of hazardous substances, which are also hazardous materials as defined in Health and Safety Code section 25260, at the Property, DTSC has concluded that it is reasonably necessary to restrict the use of the Restricted Area, in order to protect present or future human health or safety or the environment, and that the Land Use Covenant is required as part of the DTSC-approved remedy for the Property. DTSC has also concluded that the Property, as remediated and when used in compliance with the Environmental Restrictions of the Land Use Covenant, does not present an unacceptable risk to present and future human health or safety or the environment, which is a vital provision relative to the Project's future residents. The specific Restrictions and Requirements for the Restricted Area are listed in Section 4 of the Land Use Covenant.

The draft Land Use Covenant is attached as Exhibit 12. The final version of the Land Use Covenant will be subject to approval as to form by the City Attorney. Staff anticipates DTSC to finalize the Land Use Covenant after the agenda is published for the June 21, 2022 Housing Authority meeting. Considering that the DTSC is a Department of the State of California and the Land Use Covenant is a standard template agreement used across the State, the revisions that may be recommended by the City and County are limited.

Equitable Community Revitalization Grant Agreement

In 2021, the State of California adopted Senate Bill 158 referred to as the Cleanup in Vulnerable Communities Initiative, allocating $500 million to expedite the cleanup and beneficial reuse of contaminated properties, with priority given to properties in historically vulnerable and disadvantaged communities. DTSC's Office of Brownfields Equitable Communities Revitalization Grant ("ECRG") provides financial assistance to communities via reimbursable grants to investigate and clean up brownfields through a competitive process. DTSC will provide more than $250 million in ECRG grants to incentivize cleanup and investment in disadvantaged areas of the State. The ECRG program:

- Makes grants for eligible expenses up to $7 million;
- Focuses on environmental justice areas; and
- Supports applicants with free technical assistance and other expert guidance.

Local governments, nonprofits and federally and non-federally recognized tribes are eligible to apply. As such, the City and the County submitted an ECRG application prior to the deadline on April 8, 2022. A total of 74 applications were received from across the State requesting a total of $112.3 million, less than the amount of funds DTSC made available. However, as of the date of submission of this Staff Report, DTSC is still reviewing the applications and has not made any award announcements.

In preparation for award announcements, DTSC has provided a template ECRG Agreement that will be used for all grantees. The template ECRG Agreement is attached as Exhibit 13. The final version of the ECRG Agreement will be subject to approval as to form by the City Attorney. Staff anticipates DTSC to make award announcements after the agenda is published for the June 21, 2022 Housing Authority meeting. Considering that the DTSC is a Department of the State of California and the ECRG Agreement is a new standard template agreement that will be used across the State for all grantees, the revisions to the Agreement that may be recommended by the City and County are limited.

Summary Report Pursuant to Section 33433

The California Health and Safety Code ("H&SC"), Section 33433, requires that if a Housing Successor of a former redevelopment agency wishes to sell or lease property to which it holds title and if that property was acquired in whole or in part with property tax increment funds, the Housing Successor must first secure approval of the proposed sale or lease agreement from its local legislative body after a public hearing.

The Housing Authority of the City of Santa Ana, acting as the Housing Successor Agency, wishes to lease the property at 1126, 1136, & 1146 East Washington Avenue, Santa Ana, CA 92701, (APNs 398-092-14 and 398-092-13). The property was originally purchased with Low and Moderate Income Housing Asset Funds (also known as property tax increment funds). Therefore, a resolution and summary report pursuant to H&SC Section 33433 has been prepared (Exhibits 14 and 15). The Housing Authority has also conducted the required 14-day public notice period. Notice of the time and place of the hearing was published in the OC Register once per week for two successive weeks, on June 7, 2022, and June 13, 2022, as specified in Government Code section 6066, prior to the public hearing.

Project Description
The Crossroads at Washington will be 100% affordable to households earning no more than 30 percent of Area Median Income (AMI) of which 43 units will be set-aside for permanent supportive housing, with one exempt 2-bedroom managers unit. The large bedroom units align with the City's priorities and needs while the permanent supportive housing units meets the County's priorities for their financial contribution and property. The unit mix and rent restrictions are as follows:

Bedroom Size	30% AMI (PSH)	30% AMI	Manager's Unit	Total Units
Studios	16			16
One-Bedroom	26			26
Two-Bedroom	1	20	1	22
Three-Bedroom		17		17
Four-Bedroom		5		5
TOTAL	**43**	**42**	**1**	**86**

Related has partnered with A Community of Friends ("ACOF") as its non-profit partner to develop the Crossroads at Washington (the "Project") to provide the services and expertise for serving the permanent supportive housing units. [Any future reference to "Developer" refers to Washington Santa Ana Housing Partners, L.P., a California limited partnership formed by the Developer.] ACOF is one of the most experienced developers of permanent supportive housing in Los Angeles County and Southern California, with a long track record of delivering high quality supportive housing for people who were formerly homeless. ACOF has completed 50 housing developments with supportive housing for homeless individuals and families.

The Crossroads at Washington will be a new transit-oriented affordable housing community on 2.286 acres located at 1126, 1136, & 1146 East Washington Avenue, Santa Ana, CA 92701. The site is currently vacant, and positioned within walking distance from the Santa Ana Regional Transportation Center – a key transit hub for not only Orange County, but all of Southern California. The Project is located on two (2) contiguous undeveloped parcels, one fronting E. Washington Avenue on the northern half of the site (Housing Authority-owned parcel) and one parcel directly south of the City parcel (County-owned parcel). The five original buildings located on the site were demolished in the 1990s by Caltrans during a freeway-widening project. As a vacant and undeveloped site, there is an opportunity to create a newly designed site that will truly meet the needs of the local community. The entire site is designated District Center (DC) in the City of Santa Ana's 1998 General Plan and zoned Transit Village (TV) in the Transit Zoning Code.

The Project includes the development of two residential buildings, of which one building will be subdivided into two (2) residential portions, with 86 units surrounding two interior, landscaped courtyard/amenity spaces. Developed at an overall density of 37.7 units per acre, there will be 16 studios, 26 one-bedroom units, 22 two-bedroom units, 17 three-bedroom units, and 5 four-bedroom units. All units will be flat apartments located on the first, second, third, and fourth floors. Currently, the buildings have been designed to buffer courtyards, open green areas, and the pool area from highway noise and visual pollution. In addition, a proposed sound wall is being positioned along the eastern property line adjacent to the US Interstate 5 ramp. Approximately 5,800 square foot of interior community amenities and leasing offices is designed to accommodate supportive and management services. The Project also includes approximately 1,060 square feet of community service retail/commercial space. One vehicular entry point to the site is provided off of E. Washington Avenue. The entry point has a small driveway roundabout with deliberate urban greening features, to reduce vehicle speeds and create a welcoming and aesthetically pleasing entrance and pickup/drop-off area for pedestrians, bike riders, and motor vehicles alike. Careful consideration for the character and scale of the surrounding neighborhood and buildings were taken into account, to ensure that the Project's architecture and massing blends-in with the existing surrounding uses.

The Project proposes a Mission Revival architectural style to complement adjoining neighborhoods and buildings. In particular, the design is envisioned to complement nearby buildings, similar to the Santa Ana Regional Transportation Center and the Triada at the Station District Apartments (also developed by Related), which are part of Santa Ana's extensive history of prominent architecture. Overall, the layout of the buildings and common areas are designed to create several unique areas to best utilize outdoor space. Outdoor amenities include a pool, tot-lot, dog wash, and a BBQ and picnic area.

The proposed Site Plan includes approximately 120 surface parking spaces, of which 38 spaces would be tandem spaces, which will be assigned to the three-bedroom and four-bedroom apartments, along with some two-bedroom apartments. Residents will not be charged for parking. As a transit-oriented development, the Project is at the start of the OC Streetcar and directly across the street from the Santa Ana Regional Transportation Center. A total of 120 parking spaces will be sufficient for this type of transit-oriented development.

FISCAL IMPACT

Funds for the HOME Investment Partnerships Program Loan Agreement in the amount of $2,706,740.10 (90% of the original award amount) are available in the HOME Investment Partnerships Program, Loans and Grants account (no. 13018780-69152) for expenditure in the current fiscal year. The remaining $300,748.90 (10%) will be budgeted and included in the FY 2022-23 annual budget.

Funds for the Neighborhood Stabilization Program Loan Agreement in the amount of $1,637,420 (100% of the original award amount) are available in the Neighborhood Stabilization Program 1, 2, and 3, Loans and Grants accounts (nos. 14218760-69152, 14218761-69152, and 14218762-69152) for expenditure in the current fiscal year.

Recognize and appropriate Neighborhood Stabilization Program 1-3 revenue from prior year fund balance of $237,371 and grant funds of $246,501. This additional funding is to complete the necessary $1,637,420.

Appropriation Adjustment					
From	**Accounting Unit**	**Amount**	**To**	**Accounting Unit**	**Amount**
Federal Grant Direct	14218002-52000	$246,501	Neighborhood Stabilization Program 1 & 3	14218760-69152 14218762-69152	$240,042 $6,459
Prior Year Fund Balance	14218002-50001	$237,371	Neighborhood Stabilization Program 1-3	14218760-69152 14218761-69152 14218761-69152	$103,004 $121,549 $12,818

The total estimated development impact fees to be deferred for the project is estimated to be $652,717 as follows:

Fee Description	Factor	Factor	Total
Transit Zoning Code Traffic Impact Mitigation Fair Share	$1,333.54 per unit	86 Units	$114,685
Drainage Area Assessment Fee	$7,748.21 per acre	2.286 Acres	$17,712

Sewer Connection Fee	$49.00 per F.U.	562 F.U. (est.)	$25,774
Park Acquisition and Development Fee			$400,448
Fire Facilities	$0.94psf	100,104 SF	$94,098
		TOTAL	**$652,717**

The final fee amount to be deferred will be calculated at the time of the final inspection or issuance of a certificate of occupancy for the project, whichever comes first. There is no negative fiscal impact as the deferred amount will be paid back to the City. However, it should be noted that the FY 21-22 deferred amount may be received in FY 22-23.

Each project-based voucher is estimated to be valued at $1,255 monthly or $15,060 annually, based on HUD's renewal funding of vouchers from May 9, 2022. The approximate value of the eight additional project-based vouchers on an annual basis totals $120,480. The approximate value of the combined 15 project-based vouchers on an annual basis totals $225,900. The actual annual expenditure for the 15 project-based vouchers may be different based on when the development of the project is completed and the units are leased. Funds will be budgeted in future fiscal years in the Housing Choice Voucher Program, Project Based Vouchers account (no. 13618760-69171).

If the City receives an award of funds from DTSC's Office of Brownfields Equitable Communities Revitalization Grant, the grant funds will be appropriated by the City Manager in the FY 22-23 Budget.

Fiscal Impact Verified By: Kathryn Downs, CPA, Executive Director – Finance and Management Services Agency

EXHIBITS (Please see City Council agenda item #68 for exhibits)
1. Staff Report from July 2, 2019
2. Pre-Commitment Letter
3. Staff Report from August 17, 2021
4. First Amended and Restated Pre-Commitment Letter
5. HOME Investment Partnerships Program Loan Agreement
6. Neighborhood Stabilization Program Loan Agreement
7. Subordination Agreement with U.S. Bank, National Association
8. Subordination Agreement with the County of Orange
9. Development Impact Fee Deferral Agreement
10. Staff Report from February 18, 2020
11. Revised Ground Lease
12. Land Use Covenant

13. Equitable Community Revitalization Grant Agreement
14. Summary Report Pursuant to Section 33433
15. Resolution

Submitted By: Steven Mendoza, Assistant City Manager

Approved By: Kristine Ridge, City Manager