



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
November 15, 2022

TOPIC: Housing Division Quarterly Report

AGENDA TITLE:

Quarterly Report for Housing Division Projects and Activities for the period of July 1, 2022 to September 30, 2022

RECOMMENDED ACTION

Receive and file the Quarterly Report for Housing Division Projects and Activities for the period of July 1, 2022 to September 30, 2022.

DISCUSSION

This report for the quarter ending on September 30, 2022 provides statistics for all of the affordable housing projects and activities for the Housing Division. The report is divided into seven sections: Loan Activity, Loan Portfolio Management and Monitoring, Density Bonus Housing Agreements, Development Impact Fee Deferral Agreements, Renter Protections, Affordable Housing Funds and Commitments, and Development Projects.

Loan Activity

Applications

The Housing Division offers several different programs including down payment assistance for first-time homebuyers and rehabilitation grants for mobile homes and single-family homes. Inquiries are received from the public and applications are mailed out, received, and approved for these programs on a continual basis. Table 1 shows the number of inquiries, applications sent out, received, and approved by type for the quarter and for the total fiscal year:

Table 1: Applications Sent Out, Received, and Approved

Program	Inquiries		Applications Sent Out		Applications Received		Applications Approved	
	Q1	Total FY	Q1	Total FY	Q1	Total FY	Q1	Total FY
Residential Rehabilitation Grant Program	70	70	50	50	25	25	18	18
Homeownership / Down Payment Assistance Program	31	31	31	31	5	5	3	3

Loan Subordinations	0	0	0	0	0	0	0	0
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The number of applications received is typically lower than the number of applications sent out in any given period due to the stringent program guidelines for eligibility regulated by the federal government, which makes it difficult for most applicants to qualify.

The City of Santa Ana’s Residential Rehabilitation Grant Program is designed to improve and preserve affordable housing through the use of federal Community Development Block Grant (CDBG) funds. The Program is administered by Habitat for Humanity of Orange County on behalf of the City. The program provides grants of up to \$25,000 for eligible home repairs for low- and moderate-income homeowners at or below 80% of the Area Median Income (AMI) as defined by the U.S. Department of Housing and Urban Development (HUD). Eligible activities include the repair, replacement, and/or installation of major systems including plumbing, heating, electrical, windows, roof, paint, and handicap accessibility. A total of eighteen (18) rehabilitation projects were completed during this quarter.

Down Payment Assistance Loan Program (DPAP) Progress

For the Down Payment Assistance Loan Program, staff evaluates applicant eligibility and oversees underwriting to ensure compliance with program guidelines and requirements established by HUD. During this quarter, staff conducted three (3) down payment assistance virtual workshops via Zoom with a total of 57 attendees. Three (3) down payment assistance loan applications were approved and three (3) closed escrow.

Staff conduct monthly workshops together with NeighborWorks Orange County every second Tuesday of the month. In addition to these workshops, staff participated in the Vietnamese National Association of Real Estate Professionals (VNARP) Homeownership Fair on August 11, 2022 at the Garden Grove community center. During the event, staff participated on a panel with other organizations that provide first-time homebuyer assistance. Staff answered questions, provided staff contact information, and assisted with applications as needed with the public in attendance. On August 25, 2022, staff attended Madison Elementary Back to School Night in Santa Ana. Staff answered questions and provided parents and attendees with information about the program. On August 27, 2022, staff participated in a Home Buyer Expo at HPT Realty & Finance offices, in partnership with VNARP, in the City of Westminster. These activities for our Down Payment Assistance Loan Program are supplemented by a current 6-unit affordable homeownership project that staff is negotiating with Habitat for Humanity.

Loan Portfolio Management and Monitoring

The Housing Division is responsible for managing the residential loan portfolio, which includes all of the loans entered into by the City and Housing Authority, acting as the Housing Successor Agency. As of the end of the first quarter, the principal balance was

\$144,624,843. This is composed of 344 loans, 319 of which are deferred or residual receipt payment loans. As shown in Table 2, the loan portfolio generated \$77,095.24 in payments of principal and interest during the first quarter. The amount of residual receipts payments changes every quarter.

Table 2: Portfolio Revenue

	Funding Source					
	HOME	CDBG	Redevelopment	NSP	CalHOME	Inclusionary
Loan Payoffs	\$54.68	\$0	\$0	\$0	\$0	\$40,000.00
Residual Receipts Payments	\$0	\$0	\$0	\$0	\$0	\$0
Amortized Loan Payments	\$1,158.46	\$3,466.01	\$27,216.09	\$0	\$5,200.00	\$0
Total for Q1	\$1,213.14	\$3,466.01	\$27,216.09	\$0	\$5,200.00	\$40,000.00

Monitoring

As part of the requirements for these loans, staff must monitor the owner-occupancy of single-family homes that have received loans, and the building code compliance of units in rental projects with long-term affordability covenants. During this quarter, 72 owner-occupancy recertification letters were mailed and 47 were returned and processed. This number includes letters sent from previous months. Staff also conducted a total of 153 inspections during this quarter.

Density Bonus Housing Agreements

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 variances from development standards that would help the 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 place the onus on local jurisdictions to prove that the incentives/concessions or waivers are not financially warranted.

Since 2018, the City of Santa Ana has entered into the following Density Bonus Housing Agreements:

Date of Agreement	Developer or Housing Development	Housing Development Address	Affordable Units
October 2018	Metro East Senior Park, aka, Santa Ana Senior Associates	2222 E. First St.	415 Rental units restricted for Very Low Income and Low Income or Senior Tenants

August 2018	First Point I & II Apartments, aka, Santa Ana Pacific Associates	2110, 2114 and 2020 E. First St.	547 Rental units restricted for Very Low Income and Low Income Tenants
November 2019	The Rafferty, aka, QOZB III, LLC	114 & 117 E. Fifth St.	11 Rental units restricted for Very Low Income Tenants
August 2022	Brandywine Acquisition Group	1814 & 1818 E. First St.	4 Townhomes restricted for sale to Moderate-Income Buyers

Development Impact Fee Deferral Agreements

Development impact fees are a one-time charge to new developments imposed under the Mitigation Fee Act. These fees are charged to new developments to mitigate impacts resulting from the development activity and cannot be used to fund existing deficiencies. This means that for improvements that benefit existing as well as new development, impact fees can only pay for the portion of the improvement that benefits the new uses. Impact fees must be adopted based on findings of a reasonable relationship between the development paying the fee, the size of the fee, and the use of fee revenues. Development impact fees do not require voter approval and are commonly used by cities to address the impact of new development on schools, parks, transportation, etc.

Prior to issuance of any building permits, the City currently requires the payment of various development impact fees. However, affordable housing developers may submit a written request formally requesting the deferral of specific development impact fees for their property pursuant to California Government Code section 66007. The City and owner then execute a Development Impact Fee Deferral Agreement to defer certain development impact fees applicable to the property and place a lien on the property to secure payment of these fees, which are due before the issuance of the certificate of occupancy or the final building check. The City has entered into the following outstanding Development Impact Fee Deferral Agreements:

Date of Agreement	Developer	Housing Development Address	Estimated Total Fees Due
October 2019	Santa Ana Pacific Associates & Santa Ana Pacific Associates II	2110, 2114 and 2020 E. First St.	\$4,121,986
December 2021	Shelter Providers of Orange County	802, 809, 809 ½ East Santa Ana Blvd.	\$510,000
July 2022	Washington Santa Ana Housing Partners	1126 & 1146 E. Washington Ave.	\$652,717

Renter Protections

The Santa Ana City Council adopted two ordinances to help protect renters: a Rent Stabilization Ordinance, which limits residential rent increases to the lower of 3% or 80% of consumer price index (CPI) per year, and a Just Cause Eviction Ordinance, which provides “just cause” eviction protections for most tenants that occupy a residential real property or mobile home for 30 days. The ordinances became effective

on November 19, 2021, and expand on existing protections under the California Tenant Protection Act of 2019.

Since the adoption of the ordinances, flyers, frequently asked questions, and press releases have been circulated to the community. The City also regularly updates a website devoted to the ordinances, which includes related documents and announcements (www.santa-ana.org/renterprotections). The ordinances are currently administered by staff in partnership with RSG.

During this quarter, staff and RSG fielded calls from the public and provided information and education to renters and property owners on the City's Rent Stabilization and Just Cause Eviction Ordinances. A breakdown of the number of inquiries is as follows:

Month	# of Inquiries
July 2022	93
August 2022	81
September 2022	89
Total	263

The City requires that when changing the terms of a tenancy, an owner must submit proof of service to the City as evidence that the owner has complied with noticing requirements. A breakdown of the number of notices received is as follows:

Month	# of Notices
July 2022	51
August 2022	59
September 2022	91
Total	201

The City regularly distributes important updates and information to Santa Ana residents. Residents can register for regular updates under our webpage at www.santa-ana.org/renterprotections. During this quarter, staff informed the public of programmatic updates via social media and email distribution lists, reaching a total of **7,111** Santa Ana residents.

Lastly, staff and RSG conducted three (3) virtual workshops:

- July 20, 2022 – 26 registered attendees
- August 11, 2022 – 63 registered attendees
- August 25, 2022 – 50 registered attendees

Available Funds and Land Assets for Affordable Housing Development Projects

The City of Santa Ana and the Housing Authority acting as the Housing Successor Agency manages multiple sources of local, state, and federal funds to develop affordable housing. Exhibit 1 provides a summary of the funds available as of September 30, 2022.

Housing Opportunity Ordinance

On-Site Development

Since 2011, a total of 33 units have been developed on-site as a result of the Ordinance, including 23 ownership units for-sale and 10 rental units:

Units Built On-Site		
Ownership	Rental	Total
23	10	33

In-Lieu Fees Generated

All in-lieu fees, penalties and other monies collected pursuant to the Housing Opportunity Ordinance, including interest, are deposited into the Inclusionary Housing Fund. Since inception, the Inclusionary Housing Fund has generated \$28,443,446 to be used for the development of housing affordable to low- and moderate-income households, with a reasonable amount spent on administrative or related expenses associated with the administration of the Housing Opportunity Ordinance. In-lieu fees generated have been used to develop new affordable housing opportunities, provide emergency shelter, and create homeownership opportunities. Below is a summary of how in-lieu fees have been used by the City:

Project	Inclusionary Housing Funds SPENT	# of Units	Address
Santa Ana Arts Collective	\$4,775,000	57	1666 N. Main Street
La Placita Cinco	\$1,300,000	50	2239 West 5th Street
The Link Interim Emergency Shelter	\$4,140,295	N/A	2320 S Redhill Avenue
Westview House	\$1,514,113	84	2530 and 2534 Westminster Avenue
TOTAL	\$11,729,408	191	

Project	Inclusionary Housing Funds COMMITTED	# of Units	Address
Habitat for Humanity "Lacy & Vance"	\$565,271	2	826 N. Lacy Street & 830 N. Lacy Street
WISEPlace Steps to Independence Public Service Program	\$90,000	N/A	N/A
Down Payment Assistance	\$1,250,000	N/A	N/A
WISEPlace PSH Pre-Commitment Loan	\$484,000	48	1411 N. Broadway
TOTAL	\$2,389,271	50	

Affordable Housing Development Projects

There are five (5) affordable housing projects under construction, and two (2) affordable housing projects in pre-development. Below is a brief summary and status-update for each project. Exhibit 2 provides a development timeline for each project. The most recent RFP for Affordable Housing Development, which was issued on December 8, 2021 and closed on February 28, 2022, received three eligible proposals, in which one proposal, WISEPlace PSH, has been awarded a pre-commitment letter, and the two other proposals are currently in the review and evaluation phase.

Projects under Construction

Legacy Square (609 N Spurgeon Street)

Developer	National Community Renaissance with Mercy House as the service provider
Description	New construction of a 100% affordable multifamily apartment complex consisting of 92 units of rental housing and one (1) manager's unit. All units will be affordable to households earning less than 60% AMI of which 33 units will be set-aside for permanent supportive housing.
Authority Funds	Eight (8) Project-Based Vouchers (PBVs)
Update	Construction is currently underway and on schedule. Specifically, the scaffold has been removed on the Courtyard East, North & South elevation in addition to the exterior of the South, West and North elevation. Water proofing, and installation of CMU block has begun at the planter wall areas on the podium level. Construction is underway for the interior units. Vinyl flooring, installation of interior doors and kitchen cabinets are being worked on the first and third levels. The Second level is currently being painted. The estimated completion date is February 2023.

North Harbor Village (1108 N Harbor)

Developer	Jamboree Housing Corporation
Description	Acquisition and rehabilitation of a former motel yielding 89 units of permanent supportive housing.
City / Authority Funds	CDBG (\$1,687,047); Eight-nine (89) PBVs consisting of 34 HUD-VASH PBVs and 55 non HUD-VASH PBVs.
Update	Construction is currently underway. Recent activities include framing for the new community building, putting up the trash enclosure, completing the roofing/framing repairs on the existing buildings, adjustments to the cell tower equipment, work on concrete walkways, pouring of the concrete on the Harbor Blvd. facing patios, trenching for underground plumbing, and digging footings for the outside shade structure. The team has been looking for solutions to address some of the difficult waterproofing conditions that exist on site. In their efforts to come up with solutions they found that they also need to address the poor condition of the existing piping for the fire sprinkler system and ended up having to include new piping. Due to the additional construction work, the new estimated completion date is May 2023.

Westview House (2530 Westminster Avenue)

Developer	Community Development Partners with Mercy House as the service provider
Description	New construction of an affordable multifamily apartment development consisting of 85 units of both large family and PSH units with one (1) manager's unit. Twenty-six of the units will be funded by Mainstream Program PBVs and Mental Health Services Act (MHSA) funds through the No Place Like Home (NPLH) program.
City / Authority Funds	Inclusionary Housing (\$1,514,113), HOME Investment Partnerships Program (\$2,003,705), Rental Rehabilitation Program (\$386,523), and twenty-six (26) Mainstream Program PBVs
Update	Following approval by City Council on May 17, 2022, Community Development Partners successfully closed on their construction loan financing on May 31, 2022. The City disbursed 90% of our Inclusionary Housing (\$1,514,113) and HOME Investment Partnerships Program (\$2,003,705) loan funds at closing, and 100% of our Rental Rehabilitation Program funds. Grading activities have been completed and concrete is currently being poured. A groundbreaking ceremony will be held on November 2, 2022. Completion of the project is anticipated in February 2024.

Crossroads at Washington (1126, 1136 and 1146 E Washington Avenue)

Developer	The Related Companies of California (TRCC) with A Community of Friends (ACOF) as co-developer and lead service provider
Description	New construction of a 100% affordable multifamily apartment complex consisting of 85 units of rental housing and one (1) manager's unit. All units will be affordable to households earning less than 30% AMI of which 43 units will be set-aside for permanent supportive housing.
City / Authority Funds	HOME Investment Partnerships Program (\$3,007,489), Neighborhood Stabilization Program (\$1,637,420), sixty-five (65) year ground lease agreement for 1126, 1136 and 1146 E. Washington Avenue (Appraised Value as of September 22, 2019: \$4,108,136) and Fifteen (15) Project-Based Vouchers (PBVs)
Update	With the help of the Developer, the Housing Authority and County secured an award of DTSC's Equitable Community Revitalization Grant (ECRG) funds. These funds will be used for unforeseen environmental conditions during the construction of the affordable housing project. The project closed construction financing in July 2022. The Notice to Proceed was subsequently issued to the General Contractor and the project is currently under construction. Excavation and off hauling of unforeseen debris on the lot occurred in August and September.

Habitat for Humanity (826 N Lacy & 830 N Lacy Street)

Developer	Habitat for Humanity of Orange County
Description	New construction of two single-family detached homes for homeownership serving households up to 120% AMI.
City / Authority Funds	Inclusionary Housing (\$565,271) and a 99-year ground lease agreement for 416 Vance Street and 826 N. Lacy Street (Appraised Value as of Oct 25, 2018: \$578,000)

Update	Grading Plans were approved and Grading Permits were issued at the end of July 2022. A groundbreaking ceremony was held on Friday, August 26, 2022 and was attended by numerous members of the City Council and staff. Grading of the property was completed in August 2022. Building Plans were submitted for Plan Check in February 2022. Building Plans were approved and Building Permits were issued in July 2022. Foundation work was started in mid-September 2022. A Framing Day is scheduled for Friday, October 28, 2022. Following this framing day, the build site will open to regular scheduled volunteer build days Wednesday through Saturday through the duration of the build.
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Projects in Pre-Development

FX Residences (801, 809, 809 ½ E Santa Ana Boulevard)

Developer	HomeAid Orange County, Inc. with Mercy House as the service provider
Description	New construction of an affordable multifamily apartment complex consisting of 16 units of permanent supportive housing, and one (1) manager's unit.
City / Authority Funds	Housing Successor Agency (\$1,656,947), three (3) PBVs, 99-year ground lease agreement for 801 E. Santa Ana Blvd. (Appraised Value as of Oct 25, 2018: \$788,000)
Update	Closing calls for current financiers of the project began in July 2022. HomeAid and the predevelopment team for FX Residences will submit for a 2 nd plan check on the building plans in early October. The street improvement and underground plans will be submitted at the end of October. HomeAid and Builder Captain City Ventures expect to pull permits the 1 st Quarter of 2023 and break ground on the project early in the 2 nd quarter of 2023. Completion of the project should be around the 3 rd quarter of 2024

WISEPlace Permanent Supportive Housing (1411 N Broadway)

Developer	Jamboree Housing Corporation with WISEPlace as the co-developer and lead service provider
Description	Adaptive reuse and new construction of the WISEPlace building to provide 48 permanent supportive housing units, and one (1) manager's unit.
City / Authority Funds	HOME-ARP (\$5,256,327); Twenty-five (25) PBVs
Update	The developer has obtained all of their soft funding commitments from the City of Santa Ana, Orange County Housing Finance Trust, and the County of Orange. The developer applied to TCAC for competitive 9% tax credits in June 2022. The project was officially awarded tax credits in September 2022.

FISCAL IMPACT

There is no fiscal impact associated with this action.

EXHIBIT(S)

1. Available Funds for Affordable Housing Development Projects
2. Project Timelines

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