



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

TOPIC: Pre-Commitment of Affordable Housing Funds for Habitat for Humanity of Orange County

AGENDA TITLE:

Approve a Pre-Commitment of \$2,200,000 in Inclusionary Housing Funds for the Development of Six Affordable Ownership Units Located at 1921 W Washington Avenue

RECOMMENDED ACTION

Authorize the City Manager to execute a pre-commitment letter with Habitat of Humanity of Orange County for \$2,200,000 in Inclusionary Housing Funds for the development of six affordable ownership units at 1921 W Washington Avenue, Santa Ana, CA (APN 405-101-37), subject to non-substantive changes approved by the City Manager and City Attorney.

COMMUNITY DEVELOPMENT COMMISSION RECOMMENDATION

At its regular meeting on August 24, 2022, the Community Development Commission recommended to the City Council to authorize the City Manager to execute a pre-commitment letter with Habitat of Humanity of Orange County for \$1,980,000 in Inclusionary Housing Funds by a vote of 5:0 (Commissioners Frazier, Le, and Martinez were absent). After that date, Habitat for Humanity needed to revise their project to incorporate one (1) accessible unit with mobility and communication features to meet Americans with Disability Act (ADA) requirements, which resulted in an increase of \$220,000.

DISCUSSION

On December 7, 2021, the City Council authorized the Community Development Agency ("CDA") to release a Request for Proposals ("RFP # 21-136") to develop affordable rental and ownership project(s) in the City of Santa Ana ("City") 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. 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; and an e-mail

was sent out to Orange County's largest affordable housing membership associations, interested developers, and nonprofit organizations from CDA's RFP Process Database.

After the RFP deadline (February 28, 2022), staff conducted a minimum threshold review and three of the five proposals submitted were determined to be eligible as follows:

C&C Development
Habitat for Humanity of Orange County
Jamboree / WISEPlace

In compliance with the City's Affordable Housing Funds Policies and Procedures, a Review Panel, composed of City staff and housing consultants, used the Scoring and Selection Criteria from the RFP and reviewed the proposed designs for appropriateness for the proposed target group, compatibility with surrounding uses, cost effectiveness of construction, and appropriateness of the designs and construction for low maintenance and long-term durability. After interviews of the development teams, the Review Panel recommended the following:

- **Developer and Project:** Habitat for Humanity of Orange County - Washington Avenue
- **Award:** \$2.2 million from Inclusionary Housing Funds

The pre-commitment letter between the City and Habitat for Humanity of Orange County ("Habitat for Humanity") provides the enforceable funding commitment of \$2,200,000 for the development of six affordable ownership units (Exhibit 2) at 1921 W Washington Avenue, Santa Ana, CA 92706 (APN 405-101-37) (the "Project"). The pre-commitment letter is conditional on Habitat for Humanity obtaining permits and approvals from the City, ensuring at least 5 percent of the dwelling units provide mobility features, providing at least 2 percent of the dwelling units are equipped with communication features, and establishing a local preference for residents who live and/or work in the City.

In compliance with the City's Affordable Housing Funds Policies and Procedures, Keyser Marston Associates was tasked with conducting a financial gap analysis; reviewing the developer's estimates and projections of sales price, expenses, reserves and development costs; and confirming the project's underwriting and other requirements pertinent to the funding sources (Exhibit 3). Following this analysis and completion of the procurement process, City staff affirms the Review Panel recommendation to award \$2,200,000 for the Project and present to City Council for consideration.

Project Description

Habitat for Humanity acquired the site in December 2021 and will utilize the property's R-2 zoning. The Project may require development concessions that must be approved by the City, and Habitat for Humanity must comply with the City's Sunshine Ordinance.

The Project is designed with three (3) duplex buildings with "farmhouse-style" architecture to be constructed with concrete roof tiles, composite wood siding, concrete paving

surfaces, and professionally designed landscaping. All units will have approximately 1,430 sq. ft. of interior living space, with 3-bedrooms and 2.5-bathrooms, a private yard (431 sq. ft.), and a private two-car garage with direct access to each unit (residents will be required to park vehicles in the garages and not use garages only for storage). The site plan also includes short-term overflow/guest parking spots (2 standard parking spots and 1 accessible parking spot).

The three (3) buildings will be constructed concurrently with an anticipated building cycle of 14 months from the issuance of building permits. The Project will provide six (6) affordable units for purchase by low-income families who earn up to 80% of the Area Median Income with a preference for families who live and/or work in the City. Renderings and photos of the Project are attached as Exhibit 4.

The Developer

Habitat for Humanity of Orange County is a nonprofit organization that: specializes in affordable housing for purchase by qualifying families, dedicates resources to address substandard housing, serves as an advocate for fair and just housing policies, and provides training and access to resources for families. Since 1988, the Orange County affiliate has completed and sold 231 new homes in this service area, and Habitat for Humanity has completed 30 affordable homes in the City.

FISCAL IMPACT

The grant agreement is estimated to be finalized for City Council approval in FY 2022-23. Upon future approval of the grant agreement, funds will be budgeted and available as shown below:

Fiscal Year	Accounting Unit – Account #	Fund Description	Accounting Unit, Account Description	Amount
FY 22-23	41718820-69152	Inclusionary Housing Fund	Loans and Grants	\$2,200,000

EXHIBITS

1. Staff Report from December 7, 2021
2. Pre-Commitment Letter with Habitat for Humanity of Orange County
3. Preliminary Financial Gap Analysis by Keyser Marston Associates
4. Proposed Project Renderings/Preliminary Site Plan and Photos

Submitted By: Michael L. Garcia, Executive Director of Community Development

Approved By: Kristine Ridge, City Manager