



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**March 7, 2023**

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**TOPIC:** Affordable Housing Project at 1411 N Broadway

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**AGENDA TITLE:**

Approve a Loan Agreement with North Broadway Housing Partners LP (C/O Jamboree Housing Corporation and WISEPlace) for a total of \$5,256,327 for the Development of the WISEPlace Permanent Supportive Housing Project Located at 1411 N Broadway; Approve a Subordination Agreement with Bank of America as the Senior Lender; Approve Two (2) Subordination Agreements with the County of Orange and the Orange County Housing Finance Trust, Respectively, as Junior Lenders (Non-General Fund)

**RECOMMENDED ACTION**

1. Authorize the City Manager to execute a Loan Agreement with North Broadway Housing Partners LP (c/o Jamboree Housing Corporation and WISEPlace) for \$5,256,327 in HOME Investment Partnerships Program - American Rescue Plan ("HOME-ARP") funds for the development of the WISEPlace Permanent Supportive Housing project located at 1411 N. Broadway, Santa Ana, CA 92701, APN 398-523-04 ("Site") subject to non-substantive changes approved by the City Manager and City Attorney.
2. Authorize the City Manager to execute a Subordination Agreement with Bank of America to subordinate the City's Loan Agreement to a senior loan, subject to non-substantive changes approved by the City Manager and City Attorney.
3. Authorize the City Manager to execute two (2) Subordination Agreements with the County of Orange ("County") and Orange County Housing Finance Trust ("OCHFT"), respectively, to subordinate the County and OCHFT's junior loan agreements to the City's HOME-ARP Loan Agreement, subject to non-substantive changes approved by the City Manager and City Attorney.
4. Authorize the City Manager to execute a future Subordination Agreement with Jamboree Housing Corporation, WISEPlace, Bank of America and/or any other senior lender as needed after the WISEPlace Permanent Supportive Housing project is complete, subject to approval as to form by the City Attorney.

**EXECUTIVE SUMMARY**

On June 21, 2022, the City Council (attached as Exhibit 1) authorized the City Manager to execute a pre-commitment letter (attached as Exhibit 2) for an award of \$5,256,327 in HOME Investment Partnerships Program - American Rescue Plan ("HOME-ARP") funds, and an award of twenty-five (25) U. S. Department of Housing and Urban

Development Project-Based Vouchers (“PBVs”) from the Housing Authority for the development of Permanent Supportive Housing (PSH) at the Site by Jamboree Housing Corporation and WISEPlace. The project will have 47 new affordable studio units and 1 managers unit. These 47 units are specifically designated for permanent supportive housing for persons who are experiencing chronic homelessness at extremely low-income levels (at or below 30% of the Area Median Income). Fourteen (14) units will serve individuals experiencing chronic homelessness with a mental illness, financed by the Mental Health Services Act (“MHSA”), and these services will be provided on site by WISEPlace and the Orange County Health Care Agency.

As a condition of the City’s award of funds, staff is now returning to the City Council for approval of their Loan Agreement. In addition, staff is recommending approval of a Subordination Agreement to subordinate the City’s Loan Agreement to a senior loan from Bank of America; two (2) Subordination Agreements with the County of Orange and Orange County Housing Finance Trust, respectively, to subordinate their two (2) junior loans to the City’s Loan Agreement; and a future Subordination Agreement with any other senior lender as needed after the project is complete.

## **DISCUSSION**

After the City Council approved the pre-commitment of funding Jamboree Housing Corporation and WISEPlace applied for 9% Low-Income Housing Tax Credits with additional funding through the County of Orange, and Orange County Housing Finance Trust. In September of 2022, Jamboree Housing Corporation and WISEPlace secured all of their financial commitments including 9% Tax Credits and are prepared to close on their financing and begin construction of the Project. In accordance with the pre-commitment letter, staff is now recommending approval of a Loan Agreement for \$5,256,327 in HOME-ARP funds, a Subordination Agreement with Bank of America as the senior lender, and two (2) Subordination Agreements with the County of Orange and OCHFT, respectively, as junior lenders, for the development of the Project.

## **HOME-ARP Loan Agreement**

The HOME-ARP Loan Agreement is attached as Exhibit 3. The following loan terms are incorporated into the Loan Agreement:

- **Borrower:** North Broadway Housing Partners LP (c/o Jamboree Housing Corporation and WISEPlace).
- **Loan Amount:** \$5,256,327 principal amount from the HOME-ARP funds.
- **Interest Rate:** 3% simple interest per year.
- **Term:** fifty-five (55) years from the date of issuance of the Certificate of Completion for the Project.
- **Terms of Repayment:** Repaid from fifty percent (50%) of residual receipts (pro-rata with payments due in connection with other financing provided) calculated by taking the Annual Project Revenues from the Property for each year, less deductions for Annual Operating Expenses.

- **Disbursement Schedule:**
  - One hundred percent (100%) (up to \$4 million) of the Construction Component of the City/HOME-ARP Loan proceeds will be disbursed by City to Developer after execution and recording of the Agreement.
  - One hundred percent (100%) of the HOME-ARP Subsidy Reserve Component will be disbursed to the Developer after completion of construction of the Project and issuance of a Certificate of Completion.
- **Selection of Tenants:** North Broadway Housing Partners LP shall give preference in leasing units to households who qualify as chronically homeless that live in the City of Santa Ana.

The Loan Agreement has been signed by Jamboree Housing Corporation on behalf of North Broadway Housing Partners LP to acknowledge their acceptance of the terms.

#### Subordination Agreements

The City's loan is \$5,256,327 compared to Bank of America's larger construction loan of approximately \$16 million (the exact amount of Bank of America's loan will be determined at construction loan closing). It is standard practice for a private market senior lender to request a Subordination Agreement for the City's smaller loan in order to permit the senior lender to complete their underwriting and commit their private market financing. The Subordination Agreement will ensure the senior lender will be paid back before the City's loan (attached as Exhibit 4).

The City's loan for \$5,256,327 is larger than the County's junior loan for \$1,500,000; therefore, the City is seeking to subordinate the County's junior loan (attached as Exhibit 5).

The City's total loan for \$5,256,327 is larger than the Orange County Housing Finance Trust (OCHFT) junior loan for \$2,480,030; therefore, the City is seeking to subordinate the OCHFT's junior loan (attached as Exhibit 6).

Staff will not know if another Subordination Agreement is required until after the Project is complete. However, given the various sources of financing and structure of the loans for this Project, staff is seeking approval to authorize the City Manager to enter into any future Subordination Agreement if one is required for the permanent loan closing of the Project.

#### Project Description

To preserve the landmark status of the existing building the project consists of the adaptive reuse of the one-story east-west wing of WISEPlace facing Broadway Street. The existing north-south wing facing Sycamore Street 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 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 Street are preserved to maintain the

historic character from that street frontage. The ground floor amenities include a community garden, barbeque area with 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 services to be provided 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.

WISEPlace’s comprehensive, wrap around services, achieve personal self-sufficiency. In CY 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.

An on-site Resident Clinical Services Coordinator will provide case management services for the MHSA units and create a Supportive Services Plan ensuring residents have access to needed services to maintain housing, on-site community building activities, and links to partner organizations.

### **Community Inclusion**

The Project team held two community outreach meetings in February and March 2022. The team also met with the Willard, Downtown, and Floral Park Neighborhood Associations. The development also received letters of support from several community organizations including but not limited to Santa Ana Rotary, Dr. Snow of the University of California at Irvine, Santa Ana Elks, Orange County 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 the Orange County School of the Arts for periodic art installations as well.

WISEPlace will continue to serve the broader community and maintain its headquarters at the Site.

#### 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.

#### **FISCAL IMPACT**

Funds for the HOME Investment Partnerships Program - American Rescue Plan Loan Agreement in the amount of \$5,256,327 are available in the HOME Investment Partnerships Program – American Rescue Plan, Loans and Grants account (no. 18218780-69152) for expenditure in the current fiscal year. Up to \$4 million will be expended in this current fiscal year for the Project's construction loan closing. Any remaining balances not expended at the end of the fiscal year will be presented to City Council for approval of carryovers to FY 23-24.

#### **EXHIBIT(S)**

1. [Staff Report from June 21, 2022](#)
2. Pre-Commitment Letter
3. HOME Investment Partnerships Program - American Rescue Plan Loan Agreement
4. Subordination Agreement with Bank of America
5. Subordination Agreement with the County of Orange
6. Subordination Agreement with the Orange County Housing Finance Trust

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

Approved By: Kristine Ridge, City Manager