



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
May 2, 2023

TOPIC: Housing Division Quarterly Report

AGENDA TITLE:

Quarterly Report for Housing Division Projects and Activities for the Period of January 1, 2023 to March 31, 2023

RECOMMENDED ACTION

Receive and file the Quarterly Report for Housing Division Projects and Activities for the period of January 1, 2023 to March 31, 2023.

DISCUSSION

This report for the quarter ending on March 31, 2023 provides information for all of the affordable housing projects and activities for the City’s 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, Rent Stabilization, 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 and applications sent out, received, and approved by type for the quarter and for the total fiscal year:

Table 1: Applications Sent Out, Received & Approved

Program	Inquiries		Applications Sent Out		Applications Received		Applications Approved	
	Q3	Total FY	Q3	Total FY	Q3	Total FY	Q3	Total FY
Residential Rehabilitation Grant Program	0	80	0	50	0	25	1	15
Homeownership / Down Payment Assistance Program	27	123	27	123	9	17	5	11

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-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 one (1) rehabilitation project was completed during this quarter.

Down Payment Assistance Loan Program Progress

For the Down Payment Assistance Loan Program (DPAP), staff evaluates applicant eligibility and oversees underwriting to ensure compliance with program guidelines and requirements established by HUD. During this quarter, staff conducted two (2) down payment assistance virtual workshops via Zoom with a total of 59 attendees. Five (5) down payment assistance loan applications were approved and five (5) closed escrow.

Staff also conduct monthly workshops together with NeighborWorks of Orange County every second Tuesday of the month. In addition to these workshops, staff participated in one workshop with home lending professionals and one First Time Homebuyer Workshop sponsored by Councilmember Phan. In total, 15 professionals and 15 residents attended the workshops to get information on how to qualify for the City's down payment assistance program.

Staff also provided a television interview in Spanish for Estrella TV on January 25.

On February 25, staff participated in a First-Time Homebuyer Fair in partnership with the Shalom Center. The event included other homebuying professionals and lenders that provided booths and informational lectures. Staff provided program materials and spoke about the program to all attendees. The event welcomed around 250 people.

Loan Portfolio Management & 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 second quarter, the principal balance was \$144,082,637.77. This is comprised of 341 loans of which 319 are deferred or residual receipt payment loans. As shown in Table 2, the loan portfolio generated

\$132,267.74 in payments of principal and interest during the third quarter. The amount of residual receipts payments changes every quarter.

Table 2: Portfolio Revenue

	Funding Source					
	HOME	CDBG	Redevelopment	NSP	CalHOME	Inclusionary
Loan Payoffs	\$71,285.04	\$0	\$0	\$0	\$0	\$0
Residual Receipts Payments	\$36,902.44	\$0	\$0	\$0	\$0	\$0
Amortized Loan Payments	\$0	\$3,668.83	\$20,311.43	\$0	\$100.00	\$0
Total for Q2	\$108,187.48	\$3,668.83	\$20,311.43	\$0	\$100.00	\$0

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, 42 owner-occupancy recertification letters were mailed and 38 were returned and processed. This number includes letters sent from previous months. Staff also conducted a total of 224 inspections during this quarter.

Density Bonus 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 places the burden on local jurisdictions to prove that the incentives/concessions or waivers are not financially warranted.

As of the date of this report, the City of Santa Ana has entered into the following Density Bonus Agreements:

Date of Agreement	Housing Development	Address	Affordable Units
October 2018	Metro East Senior Park	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	2110, 2114 and 2020 E. First St.	547 rental units restricted for very low income and low income tenants

February 2019	Legacy Square	609 North Spurgeon St.	92 rental units restricted for very low income and low income tenants
November 2019	The Rafferty	114 & 117 E. Fifth St.	11 rental units restricted for very low income tenants
December 2021	FX Residences	801, 807, 809 and 809 ½ East Santa Ana Blvd	16 permanent supportive housing units
June 2022	WISEPlace	1411 N. Broadway	47 permanent supportive housing units
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 request to defer 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. As of the date of this report, the City has entered into the following outstanding Development Impact Fee Deferral Agreements that are pending payment:

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

Rent Stabilization Program

Effective November 18, 2022, City Council adopted an amended Rent Stabilization and Just Cause Eviction Ordinance that included a number of changes. The amended Rent Stabilization and Just Cause Eviction Ordinance expands the administration and

enforcement of renter protections for Santa Ana residents by establishing a rental housing board and a rental registry program. The amended Ordinance also includes additional petitions for tenants and landlords, voluntary mediation services, and other enhancements.

The City has prepared user-friendly information on the Ordinance for both tenants and landlords on the City's [webpage](#), including a detailed summary of changes to the Ordinance and answers to Frequently Asked Questions in English, Spanish, and Vietnamese. Over the next several months, staff will be conducting outreach and education for tenants and landlords on the amended Ordinance. Tenants and landlords are encouraged to [sign up](#) to receive the latest updates.

Program Updates:

The City of Santa Ana continues to work with RSG, Inc. on the long-term implementation of the Rent Stabilization and Just Cause Eviction Ordinance. The Rent Stabilization Program has met many critical milestones over the course of Q3.

On January 3, 2023, the City entered into an agreement with Revenue and Cost Specialists (RCS) to conduct a comprehensive fee study to determine appropriate program fees to recover all program costs associated with services provided under the City's Rent Stabilization and Just Cause Eviction Ordinance. In Q3, staff worked with RCS to finalize the fee study and the rental registry fee that will be recommended to the City Council as a part of the FY 2023-24 Miscellaneous Fee Schedule.

On February 7, 2023, City Council authorized the City Manager to enter into an agreement with 3Di, Inc. to implement, operate, and maintain a rental registry portal that supports the City's Rent Stabilization and Just Cause Eviction Ordinance. In Q3, staff worked with the consultant on a weekly basis to begin configuring the portal where property owners will register rental units, update rental unit information, update tenancy information, submit notices, and pay the City's rental registry fee. Staff also began working with the Finance and Management Services Agency to ensure the City will be able to collect, allocate, process, and utilize rental registry fees for the administration of the Ordinance.

In addition to the progress made towards the long-term implementation of the Rent Stabilization Program, staff has continued to serve the community in the following ways throughout Q3:

- Created three new infographics: Eviction Process Infographic, Just Cause Eviction Infographic, and Rent Stabilization Infographic.
- Reviewed and made continuous improvements to the layout, content, and forms on the Renter Protections webpage for easier access and understanding.
- Fielded calls and emails from the public and provided information, referrals, and education to renters and property owners on the City's Rent Stabilization and Just Cause Eviction Ordinance.
- Collected notices from landlords to monitor for compliance of the Ordinance.

- Hosted our highest attended community workshop focused on Tenant Rights and the Eviction Process, with 309 registrants.

Residents Served:

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 Ordinance. A breakdown of the number of inquiries is as follows:

Month	# of Inquiries
January 2023	60
February 2023	80
March 2023	90
Total	230

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
January 2023	30
February 2023	134
March 2023	61
Total	225

Staff and RSG also conducted one (1) virtual workshop in partnership with the Public Law Center via Zoom in English, Spanish, and Vietnamese:

Month	# of Registrants
January 31, 2023	309
Total	309

The City regularly disburses important updates and information to Santa Ana residents. During this quarter, staff informed the public of programmatic updates via social media and email distribution lists, reaching a total of **47,102** Santa Ana residents.

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 March 31, 2023.

Affordable Housing Opportunity and Creation Ordinance

On-Site Development:

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

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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 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 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
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
TOTAL	\$12,384,679	193	

Project	Inclusionary Housing Funds COMMITTED	# of Units	Address
Habitat for Humanity "Washington Street"	\$2,200,000	6	1921 W. Washington Ave.
Down Payment Assistance	\$1,250,000	N/A	N/A
TOTAL	\$3,450,000	6	

Inclusionary Housing In-lieu Fees Received per Fiscal Year

FYs 2009-2017	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
\$7,851,002	\$2,712,304	\$7,236,945	\$0	\$3,709,875	\$6,933,320	\$0

Affordable Housing Development Projects

There are six (6) 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 was issued on December 8, 2021 and closed on February 28, 2022. WISEPlace Permanent Supportive Housing and Habitat for Humanity of Orange County were awarded pre-commitment letters.

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	<ul style="list-style-type: none"> • Fire: Final inspections for fire alarm and fire sprinkler are signed off. Pending fire pump sign off when generator is approved • Elevator inspection is scheduled for April. • Building department has pre walked final inspection • Planning walk is forthcoming • Temporary generator- OCFA approved the plans. They will go back to building and safety for final stamp. The temporary generator has been hooked up and it is ready for final inspection. • Offsite-final paving is scheduled for April and this is the final step of site work. • AQMD permit for perm backup generator is roughly 3-4 weeks out.

North Harbor Village (1108 N Harbor Boulevard)

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 plan resubmittals to address some of the site conditions. They are awaiting the final coordinated set to address changes in MEP/Architectural. Concurrently working on completing the paving for the main parking lot. Once the resubmitted plans are approved and the parking lot is completed, construction will move forward at a faster pace.

Westview House (2530 Westminster Avenue)

Developer	Community Development Partners with Mercy House as the service provider
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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 (26) 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	Grading activities have been completed and concrete has been poured. A groundbreaking ceremony was held on November 2, 2022. The project is completing rough framing and roofing is set to begin in mid-April. 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) PBVs
Update	Onsite wet utilities completed. Offsite dry utilities exclusive of street lighting are installed. Sheeting is finished and roofing will start in April.

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

Developer	Habitat for Humanity of Orange County
Description	New construction of two (2) 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	The work for the MEPS (mechanical, electrical, plumbing, and structural) inspection was completed. The inspection was conducted and signed off on in late March. The drywall work was also completed and passed inspection. Siding is currently being installed along with decorative carpentry. Volunteer opportunities continue to be offered Wednesday through Saturday throughout the duration of the build. During the first quarter, there were 402 unique volunteers with a total of 3,452 volunteer hours.

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 closed on their construction loan financing and began construction in March 2023. City Council approved the HOME-ARP Loan Agreement and three other Subordination Agreements on March 7, 2023. The expected construction completion date is November 2024.
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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	HomeAid and Builder Captain City Ventures expect to pull permits by the end of the 2 nd quarter of 2023 and break ground on the project middle of the 2 nd quarter of 2023. Completion of the project is estimated by the 1 st quarter of 2024.

Habitat for Humanity (1921 W Washington Avenue)

Developer	Habitat for Humanity of Orange County
Description	New construction of three (3) duplexes / six (6) homes for homeownership serving households up to 80% AML.
City / Authority Funds	Inclusionary Housing Funds (\$2,200,000)
Update	The entitlement application for the project was submitted in February 2023. The first community Sunshine Ordinance meeting was held on March 14, 2023, at the El Salvador Community Center in Santa Ana. The meeting was attended by over 45 individuals. Representatives from Habitat for Humanity and the City presented attendees information on the project and provided an opportunity for questions. The interest in the opportunity to apply for the homes outweighed any concerns expressed by the group. Overall, the project was overwhelmingly well received by the community. In March, the property was fenced off. Geological testing was started and will be completed in April 2023.

FISCAL IMPACT

There is no fiscal impact associated with this action.

EXHIBIT(S)

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

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

Approved By: Kristine Ridge, City Manager