



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**July 18, 2023**

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**TOPIC:** Pre-Commitment of Affordable Housing Funds for Illumination Foundation

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**AGENDA TITLE**

Approve a pre-commitment of \$2,021,319 in Homeless Housing, Assistance and Prevention funds, and eight (8) project-based vouchers for Illumination Foundation for the development of the Intergenerational Housing Project located at 918 N. Bewley Street (Contingent upon approval of City Council)

**RECOMMENDED ACTION**  
**HOUSING AUTHORITY**

Approve an award of eight (8) 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 Illumination Foundation for the development of the Intergenerational Housing project located at 918 N. Bewley, Santa Ana, CA 92703, (APN 198-231-10), subject to non-substantive changes approved by the Executive Director of the Housing Authority and Authority General Counsel.

**COMMUNITY DEVELOPMENT COMMISSION RECOMMENDATION**

At its regular meeting on June 28, 2023, the Community Development Commission recommended approval of Recommended Action # 1 for City Council and Recommended Action # 1 for the Housing Authority, by a vote of 6:0 with 1 vacant seat.

**DISCUSSION**

On October 25, 2022, the Community Development Agency (CDA) released a Request for Proposals (RFP # 22-119) to develop an affordable housing project for homeless transitional age youth in the City of Santa Ana with available funds from the Homeless Housing, Assistance and Prevention (HHAP) Program and Project-Based Voucher Program. The State Department of Housing and Community Development requires that the HHAP Round 1, 2, and 3 funds made available in this Request for Proposal (RFP) be used for transitional age youth, so, the RFP required that a portion of the units be designated for homeless transitional age youth (TAY) aged 18 to 24 years old. The project-based vouchers were included in the RFP to supplement the HHAP funds in order to successfully finance a project with supportive services.

The RFP was prepared in compliance with the City's Affordable Housing Funds Policies and Procedures, published on the City's website and Planet Bids, and emailed to nonprofit organizations who had previously expressed an interest in developing housing

for youth experiencing homelessness in Orange County. The City received one (1) eligible proposal from Illumination Foundation prior to the deadline of November 22, 2022 at 4:00 p.m.

A Review Panel that consisted of the Homeless Services Division Manager, the Housing Division Manager, a Housing Programs Analyst, the Residential Construction Specialist, and a Senior Planner ensured compliance with the RFP requirements, used the proposal Scoring and Selection Criteria from the RFP, and reviewed the proposed project design for appropriateness for the proposed target population of TAY, compatibility with surrounding uses, cost effectiveness of construction, and appropriateness of the design and construction for low maintenance and long-term durability.

The Review Panel recommends the following award for this project:

**Developer:** Illumination Foundation  
**Project Name:** Intergenerational Housing Project  
**Award Recommendation:**

HHAP - Homeless Housing, Assistance and Prevention Program Round 1, 2 and 3 Funds	\$2,021,319
Project-Based Vouchers	Eight (8)

The pre-commitment letter for Illumination Foundation provides the enforceable funding commitment from the City for \$2,021,319 in HHAP funds and eight (8) project-based vouchers for the development of the Intergenerational Housing Project located at 918 N. Bewley Street, Santa Ana, CA 92703 (APN 198-231-10) (Exhibit 1) (the "Project").

Among various other conditions in the pre-commitment letter, one of the primary conditions is that the developer must provide verification that it has secured all of its remaining financing for the development of the project. This should be in the form of other enforceable funding commitments in the project's capital stack, which may include fundraising amounts currently committed by the developer, a commitment of affordable housing funds from the County of Orange, Orange County Housing Finance Trust, CalOptima Health, or any other funding source needed in the project's capital stack to develop the Project and close on the financing. The pre-commitment letter is also conditional on the developer securing any and all permits and discretionary approvals that may be required for the project by the City. The pre-commitment does not obligate the City or any department thereof to approve any application or request for or take any other action in connection with any planning approval, permit, or other action necessary for the construction of the project. This will need to be completed before staff will return to the City Council for consideration of the Grant Agreement for this project.

In compliance with the City's Affordable Housing Funds Policies and Procedures, Keyser Marston Associates (KMA) conducted a preliminary financial gap analysis to confirm the project's underwriting, the financial gap, and other programmatic

requirements related to the funding sources (Exhibit 2). KMA reviewed the developer's estimates and projections of rents, expenses, reserves, and development costs in accordance with industry-standard underwriting guidelines.

### **Developer Background**

Illumination Foundation is a 501(c)(3) organization that was founded in 2008 with the mission of disrupting the cycle of homelessness in Orange County. They are a dynamic organization with the experience and capacity to acquire, develop, and operate affordable and permanent supportive housing. Illumination Foundation's experience consists of property acquisition, rehabilitation, conversion, design, and facility operation. Their ability to develop new projects is reinforced by their ability to conduct operations for completed projects and implement successful programs within them. Their shelters and permanent housing operations involve complex logistics, contract management, accessibility compliance, facility maintenance, and high-quality service delivery.

In addition to development projects, Illumination Foundation operates extensively across several Southern California counties and is frequently called upon to assist communities with urgent needs, such as during the COVID-19 pandemic. During the pandemic, Illumination Foundation took an active role in the implementation of Project Roomkey in Orange County, providing support to converted sites that were created to mitigate the risks of COVID-19 to the most vulnerable.

Besides currently providing the operation of the City's Navigation Center, Illumination Foundation has additionally completed several developments including the Fullerton Navigation Center (a 150-bed facility), the Riverside Recuperative Care (a 50-bed facility), and four family emergency shelters in the cities of Stanton and Anaheim. Illumination Foundation also has experience in purchasing a motel for conversion to recuperative care and has partnered with LifeArk to utilize an innovative modular building system to develop an 18-unit prefabricated permanent supportive housing project in El Monte.

Illumination Foundation is a fiscally responsible and financially stable organization. In 2019, they experienced a 24% increase in revenue; in 2020, a 40% increase and more than a 50% growth in 2021. They transitioned from 90% reliance on non-recurring grants and limited donations in their earlier years to more than 80% of revenue from recurring government contracts and program fees as the organization has grown. Illumination Foundation has additionally invested in ways to engage and retain individual donors.

Illumination Foundation has formed a qualified team of internal staff and developer partners to design a Project that supports the ongoing mission of the property. This includes Westgroup Designs as the architect and JLC Associates as one of three potential contractors who will bid on the project.

Westgroup Designs is known for providing exceptional design solutions for their clients and has an extensive portfolio of outstanding projects including Google's Orange

County headquarters. Their expertise in creating distinctive and effective residential communities, especially for the seniors, will be a great asset for this project.

Founded in 1996, JLC Associates is a full-service Commercial General Contractor specializing in tenant improvement construction. They take pride in delivering successful, on time, in budget, high quality completion on each project. Easter Seals of Southern California, Memorial Care Health systems, Experian, and Ingram Micro are a few of their clients.

### **Project Site**

Illumination Foundation is proposing to develop a site formerly used by The Lovers of the Holy Cross Sisters as a convent and preschool. Illumination Foundation acquired the site for \$3.9 million. With a total lot area of 38,281 square feet (SF), the Project site is located along Bewley Street, between Hazard Avenue and W. 11<sup>th</sup> Street. The current property is comprised of two (2) two-story residential units nestled in the back totaling 7,032 SF; a 1,230 SF preschool building facing Bewley Street with an adjacent 586 SF shaded play area; and two storage sheds, each 148 SF connected by a 145 SF covered patio. The premises also boasts a luscious garden graced by numerous varieties of fruit trees. The proposed Project is within one half mile from multiple bus stops.

The property is located within the Garden Grove Unified School District boundaries.

The Planning and Building Agency conducted a preliminary assessment of the site and Project. The proposed site was originally developed as an eleven-unit apartment complex, which was modified to accommodate and be occupied by The Lovers of the Holy Cross Sisters. Illumination Foundation proposes interior renovations of the two existing apartment buildings, along with minor exterior alterations and new entry stairs, in order to rehabilitate the units and convert them back to multi-family residential with a total of eleven units. As proposed, there is no enlargement of the apartment buildings and no increase in the number of units as originally constructed. Moreover, the overall scope of work includes the proposed conversion of an existing storage shed into an Accessory Dwelling Unit (ADU) with two bedrooms. The Project is subject to additional administrative review and approval by the Planning and Building Agency through the City's building plan check and permitting process. Staff understands that the Project as proposed is administrative and does not require discretionary entitlement approvals, and that it is not subject to additional off street parking due to its proximity to public transit.

### **Proposed Project**

The proposed Project includes 11 units comprised of two (1) one-bedroom units, seven (7) two-bedroom units, and two (2) three-bedroom units; an ADU; and a preschool. Illumination Foundation's intergenerational campus will provide housing for homeless seniors and youth (TAY) with young children and preferential entry at the preschool for the young children to create a mutually supportive community. The proposed site plan includes 29 parking spaces with 20 spaces for the tenants and the ADU, and 9 spaces for the preschool including one accessible space and one loading parking stall. This village concept is expected to garner substantial synergistic benefits:

- Reduce social isolation for seniors.
- Encourage employment for parents deterred by childcare worries.
- Provide high quality early education to children.

### Unit Mix

The target population for the Intergenerational Housing Project includes individuals experiencing chronic homelessness with a local preference for residents of the Santa Ana community. Eight (8) permanent supportive housing (PSH) units will be restricted to TAY families, two (2) shared housing PSH units will house senior citizens, and one unit will be reserved for an on-site manager. The ADU will be used as the Manager's Unit and offices for programming. The proposed unit mix and rent restrictions are as follows:

Bedroom Size	30% AMI (PSH)	50% AMI (PSH)	Manager's Unit	Total Units
One-Bedroom (TAY)	2			
Two-Bedroom (TAY)	6			
Two-Bedroom			1	
Three-Bedroom (Senior)		2		
<b>TOTAL</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>11</b>

### Resident Services

Illumination Foundation will coordinate the delivery of all resident support services for the intergenerational campus. A comprehensive array of wraparound services will be provided by Illumination Foundation staff to ensure residents achieve healthy, independent, and fulfilling lives. Utilizing staff trained in best practices ranging from trauma informed care and critical time interventions to housing first, Illumination Foundation will ensure all residents have access to the services they need to thrive.

All residents of the intergenerational campus will receive access to case management services that will assess their needs and craft individualized care plans that utilize resident self-stated goals in accordance with a strength-based and client-centered model. Services related to these goals include income development and financial literacy, tenancy and other life skills, connections to appropriate mental health and medical services and substance use treatment, and transportation.

Illumination Foundation is positioned to provide high quality services because of strong partnerships with affiliated organizations and community partners. Residents will have the opportunity to be referred to the Illumination Foundation Medical Group for behavioral and physical health services; to a subcontractor, Straight Talk, for behavioral health group sessions; on-site medical coordination through nursing student interns; and parenting classes through The Priority Center and Olive Crest.

In addition to a range of community partners, Illumination Foundation will utilize innovative funding through CalAIM to provide programming like day habilitation courses covering topics such as budgeting, credit recovery, meal planning, anger management, and self-esteem building. Along with access to day habilitation courses, residents will also have access to enhanced care management. As part of the Enhanced Care

Management program, enrolled residents will be assigned a lead care manager that will work with their insurance provider and personal care coordinator to facilitate clinical care.

Beyond those services provided to all residents, children will be assigned a Children and Family Program Navigator who is responsible for overseeing the specific needs of children. Developmental screeners will be completed to ensure children are meeting important developmental benchmarks and staff will have access to a clinician to determine appropriate interventions when benchmarks are not met. The navigator will coordinate care for the children, such as referrals to internal and external resources, like regional center, literacy development, and children vision and dental clinics. Through our partnership with Children's Hospital of Orange County (CHOC), children are able to receive priority appointments to address their health needs.

Lastly, the unique characteristics of this development will present important service opportunities. The on-site preschool operated by Head Start will ensure that appropriately aged children will receive access to schooling and daycare. An on-site garden and chicken coop will allow for the development of community and wellness among residents. The intergenerational nature of the campus will allow for Illumination Foundation to cultivate peer mentorships between senior residents and transitional age youth or single parent residents. These onsite community activities help target the social isolation that can occur with senior populations.

Illumination Foundation has provided services to people experiencing homelessness in the Orange County area for 15 years and currently operates the City of Santa Ana's Carnegie Navigation Center. This experience and strong working relationship with the City of Santa Ana positions Illumination Foundation to provide the exceptional services the residents of the intergenerational campus deserve.

### **Community Inclusion**

The need for affordable housing opportunities for TAY and seniors experiencing homelessness has become critical. For projects to be successful both in terms of design, development, and implementation, community engagement must be an integral part of each phase of the process. Illumination Foundation has a demonstrated history of working cooperatively with surrounding neighborhoods in all phases of project development, as evidenced, for one example, by the development and planning of the Fullerton Navigation Center. The process involved months of extensive community outreach, as well as partnering with local community groups and organizations in order to address the concerns of Fullerton residents and businesses.

Illumination Foundation will take a reflective and strategic approach to community engagement. This begins with an in-depth understanding of the needs of the community, including the growing need for housing resources and the increasing number of people experiencing homelessness in Orange County. Throughout every step of the development process, Illumination Foundation, along with its development partners, will make active and concerted efforts to identify and reach out to all stakeholders relevant to the project.

In the early phase of development, this will include attending City Council meetings, scheduling town halls, and creating questionnaires and informative flyers to distribute to stakeholders and community members. Forays into the surrounding community will be made to canvass residents, neighborhood associations, community groups, and nearby businesses to provide information and allay concerns that stakeholders may have. Once the surrounding neighborhood has been canvassed, Illumination Foundation will facilitate town hall meetings, including both virtual and in-person. This will ensure accessibility and ample opportunities for stakeholder voices to be heard. Letters of support from stakeholders will be gathered as needed. Opportunities for focus groups and to answer questionnaires will be made available to individuals with lived experience of homelessness to provide their insight and inform the project. Frontline staff with experience working directly with clients will be afforded opportunities to provide feedback and engage in the program design and Project development process, as Illumination Foundation recognizes the critical importance of their perspective.

Throughout all stages of this Project, Illumination Foundation will seek input and establish collaborative efforts with agencies and nonprofits operating in and near the project, such as Mercy House Living Centers, Fresh Beginnings, and CityNet, among others. Along with development partners, Illumination Foundation will seek to allay any community concerns and incorporate critical feedback into the design and implementation that augments and strengthens their ability to serve the needs of the community. Through a partnership with Head Start, an affordable preschool resource will be available to the surrounding community.

Illumination Foundation will actively consider barriers that stakeholders may experience to attending scheduled town halls and other community engagement efforts, providing accommodations such as coordination of childcare, coordinating transportation, providing meeting locations that are convenient for stakeholders, and providing video or phone conferencing. To best reach all stakeholders, informative flyers will be produced in both English and Spanish, and additional linguistic accommodations will be made as needed. By utilizing direct outreach, social media, and newsletter marketing strategies, leveraging existing relationships and creating new ones, actively involving stakeholders in discussions, and implementing a Good Neighbor Plan, Illumination Foundation will ensure the level of community engagement necessary for a successful Project that benefits the target population and integrates seamlessly into the broader community.

### **ENVIRONMENTAL IMPACT**

Pursuant to the Adaptive Reuse Ordinance (Ordinance No. NS-2874), the proposed project is found and determined to be consistent with the General Plan of the City of Santa Ana. Therefore, in accordance with the California Environmental Quality Act, the recommended action is exempt from further review under Section 15194 (Affordable Housing Exemption), as this project meets all the required criteria as a 100-percent affordable/permanent supportive housing development.

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## **FISCAL IMPACT**

The various agreements, including the grant agreement, is estimated to be finalized for City Council approval in FY 2023-24. Upon future approval of the grant agreement, funds will be budgeted and available as shown below. The Homeless, Housing Assistance and Prevention (HHAP) – Round 1 funds will be part of the proposed carryover of unspent funds which will be presented to City Council in September 2023 for part of this agreement.

<b>Fiscal Year</b>	<b>Accounting Unit – Account #</b>	<b>Fund Description</b>	<b>Accounting Unit, Account Description</b>	<b>Amount</b>
FY 23-24	12218715-69152	Homeless Housing, Assistance and Prevention funds Round 1	Loans & Grants	\$673,773.03
FY 23-24	12218716-69152	Homeless Housing, Assistance and Prevention funds Round 2	Loans & Grants	\$318,510.90
FY 23-24	12218717-69152	Homeless Housing, Assistance and Prevention funds Round 3	Loans & Grants	\$1,029,035.17
<b>Total Grants</b>				<b>\$2,021,319.10</b>

## **EXHIBIT(S)**

1. Pre-Commitment Letter for Illumination Foundation
2. Preliminary Financial Gap Analysis by Keyser Marston Associates

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

Approved By: Kristine Ridge, City Manager