



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
March 2, 2021

TOPIC: Extension of Pre-Loan Commitment for North Harbor Village and TEFRA

AGENDA TITLE:

Approve a Two-Year Extension of the Pre-Loan Commitment Letter for the Development of North Harbor Village and Adopt a Resolution Approving the Issuance of Bonds (Non-General Fund)

RECOMMENDED ACTION

1. Authorize the City Manager to execute a two-year extension of the pre-loan commitment letter with Jamboree Housing for \$1,687,047 in Community Development Block Grant funds for the development of the North Harbor Village (formerly Budget Inn) affordable housing project located at 1108 N Harbor Boulevard, subject to non-substantive changes approved by the City Manager and City Attorney.
2. Adopt a resolution approving the issuance of revenue bonds by the California Municipal Finance Authority in an amount not to exceed \$30,000,000 for the acquisition, construction, improvement, and equipping of a multi-family rental housing project located at 1108 North Harbor Boulevard.

DISCUSSION

Two years ago, the City Council approved an award of \$1.6 million in funding for the development of the North Harbor Village affordable housing project by Jamboree Housing (Jamboree). After two years of pre-development in which Jamboree worked with staff to secure all of their remaining sources of financing in their capital stack as a condition of the City's award of funds, staff is now returning to the City Council to extend their award of funds for two years because the project may not need the City's funds now that Congress has established a new fixed rate for 4% tax credits in the Consolidated Appropriations Act of 2021. However, the project does need approval of a TEFRA Resolution in order to close on their financing before March 30, 2021.

On March 5, 2019, the City Council approved a pre-loan commitment letter with Jamboree for \$1,687,047 in Community Development Block Grant (CDBG) funds for the development of the North Harbor Village (formerly Budget Inn) affordable housing project

located at 1108 N. Harbor Blvd, by a unanimous vote. The staff report from March 5, 2019 is attached as Exhibit 1 and the pre-loan commitment is attached as Exhibit 2, both of which provide further information on the project.

After the City Council approves a pre-loan commitment of funding for an affordable housing project, a developer is responsible to secure their entitlements and secure their remaining financing as a condition of the award of funds. The majority of large multi-family affordable housing projects require Low-Income Housing Tax Credits (LIHTC), which are very competitive for the higher value 9% tax credits with only two application deadlines a year and more difficult to finance with the lower value 4% tax credits. After almost two years since the North Harbor Village project received a commitment of funding from the City Council, Jamboree has now secured their remaining financing and are prepared to close on their financing before March 30, 2021 and begin building the project.

To close on their financing, Jamboree secured an award of 4% tax credits for this project. To the benefit of this project, as well as the City's Legacy Square project, the Consolidated Appropriations Act of 2021 included a new fixed rate for 4% tax credits. Specifically, after years of advocacy by affordable housing developers, one of the leading proposals from the Affordable Housing Credit Improvement Act and Moving Forward Act to establish a 4% minimum LIHTC rate for acquisition LIHTCs and tax-exempt private activity bond-financed developments was included in year-end tax legislation attached to the Consolidated Appropriations Act of 2021. The provision is effective for acquisition LIHTCs allocated after December 31, 2020 and for bond-financed properties placed in service and receiving allocations from private activity bonds issued after December 31, 2020.

Affordable housing developers have been advocating for this 4% fixed rate for the past several years to help provide predictability to the marketplace and increase production by making more developments financially feasible. According to the Affordable Housing Tax Credit Coalition, the 4% housing credit rate has fallen to lows hovering between 3.07% and 3.09% in recent months due to COVID-19 and ensuing cuts to federal borrowing rates, putting housing developments' financial feasibility at risk. With the new 4% floor, Novogradac & Co. estimates that an estimated 130,000 affordable homes could be created from 2021 to 2030.

The new 4% fixed tax rate allowed Jamboree to generate additional tax credit equity for the development of the North Harbor Village project. This happened similarly with the Legacy Square project being developed by National CORE. After the approval by Congress of the new rate, National CORE was able to decline the City's award of \$3.1 million in Inclusionary Housing Funds after the City Council had approved their loan documents on December 15, 2020. However, the Legacy Square project is a new construction project and Jamboree's North Harbor Village project is a motel rehabilitation project. Therefore, Jamboree is requesting the City to extend their pre-loan commitment of \$1.6 million in CDBG funds in case Jamboree experiences any unexpected cost

increases during the rehabilitation of the motel (Exhibit 3). The \$1.6 million will generally be used as a backstop to ensure the rehabilitation project is successful. The extension will be for two years. If City Council does not approve the extension, staff will need to return to City Council on March 16, 2021 with a recommendation to approve the CDBG Loan Documents for the project in order to comply with the City’s original pre-loan commitment letter for the project.

Project Description

The North Harbor Village project is a motel rehabilitation project that will provide 89 units of permanent supportive housing for homeless individuals. This will be the City’s third motel conversion project in the last five years for people experiencing homelessness following the development of the Orchard and Casa Querencia. The Orchard project converted the former Guest House motel into 72 units of permanent supportive housing and the Casa Querencia project converted the former Aqua Motel. Both the Guest House and Aqua Motel were high-crime, short-term use motels prior to their conversion into permanent supportive housing with wrap-around supportive services.

Fifty-five of the units at North Harbor Village will be designated for chronically homeless individuals and 34 units will be designated for homeless veterans. There will be a local preference for individuals who live or work in Santa Ana. The unit mix and rent restrictions are as follows:

Unit Size	No. Units	AMI
Studio	89	30%

TEFRA Resolution

North Harbor Housing Partners LP (the “Borrower”), a partnership of which Jamboree Housing Corporation (the “Developer”), consisting of the Developer and one or more limited partners, has requested that the California Municipal Finance Authority (“CMFA”) adopt a plan of financing providing for the issuance of one or more series of revenue bonds issued from time to time, including bonds issued to refund such revenue bonds in one or more series from time to time, in an aggregate principal amount not to exceed \$30,000,000 (the “Bonds”) for the acquisition, construction, improvement and equipping of the North Harbor Village project located at 1108 North Harbor Boulevard.

However, in order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Santa Ana must conduct a public hearing (the “TEFRA Hearing”) providing for the members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the refinancing of the project. Following the close of the TEFRA Hearing, an “applicable elected representative” of the governmental unit hosting the Project (in this case the City) must provide its approval of the issuance of the Bonds by the Authority for the refinancing of the project. On February 12, 2020, staff held a staff-level TEFRA Hearing, telephonically, as permitted by the Internal Revenue Service to satisfy the public hearing requirement in light of the COVID-19 pandemic, at which time

an opportunity was provided to interested parties to present arguments both for and against the issuance of the revenue bonds. Staff held the staff-level TEFRA Hearing because the Internal Revenue Service requires the use of a toll-free number and it is an administrative burden for the Clerk of the Council to create a toll-free number specifically for this TEFRA resolution. Therefore, as an alternative, a staff-level TEFRA Hearing was held. No public comments were received during the staff-level TEFRA Hearing and staff is recommending approval of the resolution for the issuance of the revenue bonds (Exhibit 4).

The bonds to be issued by the CMFA are the sole responsibility of the Borrower. The City has no financial or legal liability for the project or repayment of the bonds and does not constitute any type of indebtedness for the City.

FISCAL IMPACT

Upon future approval of the loan agreement, if needed, funds in the amount of \$1,687,047 will be available in the Community Development Block Grant, Loans and Grants account (No. 13518782-69152).

The City received a payment of \$896.78 to hold a TEFRA Hearing for this project, which was deposited into account No. 01102002-53902. The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the "Foundation"), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City of Santa Ana, it is expected that a portion of the issuance fee will be granted by the CMFA to the general fund of the City. Such a grant may be used for any lawful purpose of the City.

EXHIBIT(S)

1. March 5, 2019 Staff Report
<http://clerk/WebLink/1/doc/106298/Page1.aspx>
2. Original Pre-Loan Commitment Letter
3. Two-Year Extension of Pre-Loan Commitment Letter
4. TEFRA Resolution

Submitted By: Steven Mendoza, Assistant City Manager

Approved By: Kristine Ridge, City Manager