



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**May 4, 2021**

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**TOPIC:** Quarterly Report for Housing Division Projects and Activities

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**AGENDA TITLE:**

Quarterly Report for Housing Division Projects and Activities for the Period of January 2021 – March 2021

**RECOMMENDED ACTION**

Receive and file the Quarterly Report for Housing Division Projects and Activities for the period of January 2021 – March 2021.

**DISCUSSION**

This report for the quarter ending on March 31, 2021 provides statistics for all of the affordable housing projects and activities for the Housing Division. The report is divided into four sections: Loan Activity, Loan Portfolio Management and Monitoring, 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 loans for mobile homes, single-family, multi-family, and historic 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, 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
Single-Family Rehabilitation	12	36	10	32	1	1	0	0
Mobile Home Rehabilitation	0	14	0	13	1	0	0	0
Multi-Family Rehabilitation	0	0	0	0	0	0	0	0
Historic Home Restoration	0	1	0	1	0	0	0	0
Homeownership / DPAP	14	40	14	34	6	11	3	6
Loan Subordinations	5	17	5	17	5	17	5	17

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. Due to the Coronavirus pandemic (COVID-19), application processing for the Single-Family and Mobile Home Rehabilitation Program continues to be on hold during the third quarter. There are currently nine (9) applications for the Single-Family Rehabilitation Program and four (4) applications for the Mobile Home Rehabilitation Program currently on hold.

Homeowners who have second liens with the City of Santa Ana have been interested in refinancing their first lien mortgage to take advantage of the low interest rates. When the first lien is refinanced, it is necessary for the City to subordinate its second lien. During the third quarter, five (5) requests for subordination were received, approved, and processed.

#### *Rehabilitation Loan Underwriting and Approval Progress*

During this quarter, no mobile home rehabilitation loans were funded due to the program being on hold.

#### *Rehabilitation Program Construction Progress*

Homeowners receiving rehabilitation loans are guided through an open selection of contractors to complete the work on their homes. Each homeowner is given a list of contractors that have been screened by staff for license and insurance requirements. However, homeowners are allowed to select any contractor that meets these same requirements. Staff assists the homeowners with the evaluation of bids and selection of a contractor. Staff also monitors the construction work, approves payments to contractors, and tracks expenditures to ensure compliance with the loan agreement and program guidelines. During this quarter, zero (0) additional homes were completed.

#### *Down Payment Assistance Loan Program (DPAP) Progress*

For the Down Payment Assistance Loan Program, staff evaluates applicant eligibility and oversees underwriting to ensure compliance with program guidelines and requirements established by the U.S. Department of Housing and Urban Development (HUD). During this quarter, staff conducted three (3) down payment assistance virtual workshops via Zoom with 47 attendees. Two (2) down payment assistance loans closed escrow. Six (6) down payment assistance applications were received and three (3) applications were approved.

#### **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 third quarter, the principal balance was \$136,791,474.75. This is composed of 368 loans, of which 345 are deferred or residual receipt payment loans. As shown in Table 2, the loan portfolio generated \$432,499.80 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
Loan Payoffs	0	0	0	\$10,491	0
Residual Receipts Payments	\$220,969	0	\$118,051	\$47,271	0
Amortized Loan Payments	\$2,885	\$7,681	\$19,149	0	\$5,000
<b>Total for Q3</b>	<b>\$223,855</b>	<b>\$7,681</b>	<b>\$137,200</b>	<b>\$57,762</b>	<b>\$5,000</b>

### Monitoring

As part of the requirements for these funds, 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, 65 owner-occupancy recertification letters were mailed and 49 were returned and processed. This number includes letters sent from previous months.

On-site compliance monitoring of the tenant files was not conducted this quarter due to COVID-19. HUD has temporarily waived the requirement for ongoing periodic inspections of HOME-assisted rental housing through September 30, 2021.

### 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 promote and facilitate the development of affordable housing as well as land assets held by the Housing Authority. Exhibit 1 provides a summary of the funds available as of March 31, 2021. Exhibit 2 provides a summary of available land assets.

### Housing Opportunity Ordinance

#### On-Site Development:

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

Units Built On-Site		
Ownership	Rental	Total
23	10	33

Regulatory agreements have been signed with two market rate developments that will build 30 additional rental units on-site affordable to very-low income households.

#### In-Lieu Fees Generated:

All in-lieu fees, penalties and other monies collected pursuant to the Housing Opportunity Ordinance, including interest, are deposited into the Inclusionary Housing Fund. Since

inception, the Inclusionary Housing Fund has generated \$21,510,125 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 Housing Opportunity 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
Tiny Tim Plaza	\$1,300,000	50	2239 West 5th Street
The Link Interim Emergency Shelter	\$4,140,295	N/A	2320 S Redhill Avenue
<b>TOTAL</b>	<b>\$10,215,295</b>	107	

Project	Inclusionary Housing Funds Committed	# of Units	Address
Habitat for Humanity "Lacy & Vance"	\$565,271	2	416 Vance Street & 826 N. Lacy Street
Westview House	\$1,514,113	84	2530 and 2534 Westminster Avenue
WISE Place Steps to Independence Public Service Program	\$90,000	N/A	N/A
Down Payment Assistance	\$280,000	N/A	N/A
<b>TOTAL</b>	<b>\$2,115,607</b>	86	

### Affordable Housing Development Projects

There are two (2) affordable housing projects under construction and five (5) affordable housing projects in pre-development. Below are brief summaries for one (1) recently completed projects and the seven (7) projects under construction / pre-development. Exhibit 3 provides a development timeline for the larger development projects.

### Projects Completed

#### *Casa Querencia - formerly Aqua Housing (317 E. 17<sup>th</sup> Street)*

Developer	Community Development Partners with Mercy House as the service provider
Description	Acquisition, demolition and new construction of a former motel yielding 56 units of affordable permanent supportive housing with wrap-around supportive services for chronically homeless individuals and one (1)

	manager's unit. 28 of the 56 units are funded by MHSA/SNHP funds from the County of Orange.
City Funds	Fifty-six (56) Project-Based Vouchers (PBVs)
Update	Construction is 100% complete and received final building sign-off on December 31, 2020. 100% lease-up status was achieved on March, 23, 2021 and all units are now occupied by qualified tenants who were previously homeless in Santa Ana.

### ***Projects under Construction***

#### ***La Placita Cinco – formerly Tiny Tim Plaza (2239 West 5<sup>th</sup> Street)***

Developer	Community Development Partners
Description	New construction of an affordable multifamily apartment complex consisting of 50 units of rental housing serving very-low and extremely-low income families, and one (1) manager's unit.
City Funds	Inclusionary Housing (\$1,300,000), Housing Successor Agency (\$4,700,000)
Update	The project is 99% complete, with final close-out items remaining. A temporary Certificate of Occupancy was issued in January 2021, and a final Certificate of Occupancy is anticipated no later than June 1, 2021. Retail renovations are complete, with final signage in progress. The project is currently 50% leased.

#### ***Legacy Square (609 North 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.
City Funds	Eight (8) PBVs
Update	On December 15, 2020, City Council approved the developer's \$3,170,547 Loan Agreement and subordination agreement with Bank of America as the Senior Lender. Subsequently, the Consolidated Appropriations Act of 2021 passed by Congress on December 27, 2020, included a provision to create a permanent minimum 4% low-income housing tax credit rate that allowed the developer to generate more tax credit equity. As a result, the developer was able to decline the City's \$3,170,547 in funding because they were able to generate more funding from their tax credits. However, the Housing Authority still has a commitment of eight (8) PBVs to this project. The developer closed on their construction financing on February 11, 2021 and has started construction of the project. Construction is currently ongoing.

***Projects in Pre-Development***

***Crossroads at Washington (1126 and 1146 E. Washington Avenue)***

Developer	Related Companies of California 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 Funds	HOME Investment Partnerships Program (\$3,007,489), Neighborhood Stabilization Program (\$963,951), sixty-five (65) year ground lease agreement for 1126 and 1146 E. Washington Avenue (Appraised Value as of September 22, 2019: \$4,108,136)
Update	The Developer submitted an application in March 2021 for the Orange County Housing Finance Trust (OCHFT) Permanent Supportive Housing (PSH) Notice of Funding Availability (NOFA) and awards are expected to be announced in May 2021. The Developer continues to work with the City, County and the California Department of Toxic Substances Control (DTSC) for environmental investigations onsite and for a Voluntary Oversight Agreement between the City, County and DTSC for agency oversight.

***FX Residences (801, 809, 809 ½ East 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 Funds	Housing Successor Agency (\$1,069,947), three (3) PBVs, 99-year ground lease agreement for 801 E. Santa Ana Blvd. (Appraised Value as of Oct 25, 2018: \$788,000)
Update	FX Residences was approved unanimously by the Planning Commission on March 22, 2021. HomeAid Orange County applied for \$300,000 from Federal Home Loan Bank of San Francisco through their Affordable Housing Program Loan Program at the beginning of March. Funding awards will be announced in June 2021.

***Habitat for Humanity (416 Vance Street & 826 N. Lacy Street)***

Developer	Habitat for Humanity of Orange County
Description	New construction of two single-family detached homes for homeownership serving households up to 120% AMI.
City 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 developer has completed discussions with the Historic French Park Committee and received a letter of approval for the design of both homes on February 11, 2021. The Neighborhood Review Application was submitted to city staff and corrections were addressed. Site Plan Review will be submitted in April 2021. The developer is awaiting final documentation from Southern

	California Edison regarding the abandonment of the easement that currently exists between the two (2) parcels. On April 6, 2021, City Council approved a First Amendment to the Conditional Grant Agreement with Habitat for Humanity of Orange County for an additional \$333,777 in Inclusionary Housing Funds for a total Inclusionary Grant amount of \$565,271 for the development of the Lacy Street affordable housing project.
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***North Harbor Village (1108 N. Harbor)***

Developer	Jamboree Housing Corporation
Description	Acquisition and rehabilitation of a former motel yielding 89 units of permanent supportive housing.
City Funds	Eight-nine (89) PBVs and CDBG (\$1,687,047) [The 89 PBVs consist of 34 HUD-VASH PBVs and 55 non HUD-VASH PBVs]
Update	The developer received their building permit ready letter on March 23, 2021. OCHFT provided a firm commitment with the official award from HCD on February 3, 2021. The developer closed on their construction financing on April 1, 2021 and will begin rehabilitation of the Budget Inn motel. The developer closed on their financing with floating 4% acquisition tax credits which will be determined at the 8609 conversion.

***Westview House (2530 Westminster Avenue)***

Developer	Community Development Partners
Description	New construction of an affordable multifamily apartment development consisting of 85 units of both large family and PSH with one (1) manager's unit. Twenty-six of the units will be funded by MHSA funds and the NPLH program.
City 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	The developer applied for the OC 2020 Supportive Housing NOFA MHSA funds and has received this funding award. The developer also submitted an application for competitive NPLH funds on January 19th and have since received a point scoring letter from HCD which shows the project receiving 194.99 points out of a possible 200. The project went before City Council on January 19, 2021 and received full entitlement approval as well as approval of twenty-six (26) Mainstream Program project-based vouchers. On March 15, 2021 the developer applied for OCHFT funds and is awaiting a response on this funding award.

**Regional Housing Needs Assessment**

Housing projects that have been approved, permitted, or received a certificate of occupancy after June 30, 2021 may be counted towards the 6th Regional Housing Needs Assessment (RHNA) Cycle (October 2021 to October 2029). A total of 419 units in projects that are completed or under construction will count towards the current RHNA cycle:

<b>Project</b>	<b>Units</b>
Santa Ana Arts Collective	57
Heroes' Landing	75
Casa Querencia	56
La Placita Cinco	50
North Harbor Village	89
Legacy Square	92
<b>TOTAL</b>	<b>419</b>

A total of 188 units in projects in pre-development will count toward the upcoming RHNA cycle (October 2021 through October 2029):

<b>Project</b>	<b>Units</b>
Crossroads at Washington	85
Westview House	85
FX Residences	16
Habitat for Humanity	2
<b>TOTAL</b>	<b>188</b>

#### **FISCAL IMPACT**

There is no fiscal impact associated with this action.

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

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

Submitted By: Steven Mendoza, Assistant City Manager

Approved By: Kristine Ridge, City Manager