



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
August 1, 2023

TOPIC: Housing Division Quarterly Report

AGENDA TITLE:

Quarterly Report for Housing Division Projects and Activities for the period of April 1, 2023 to June 30, 2023.

RECOMMENDED ACTION

Receive and file the Quarterly Report for Housing Division Projects and Activities for the period of April 1, 2023 to June 30, 2023.

DISCUSSION

This report for the quarter ending on June 30, 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 & Monitoring, Density Bonus Housing Agreements, Development Impact Fee Deferral Agreements, Rent Stabilization Program, Affordable Housing Opportunity & Creation Ordinance, 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, 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	
	Q4	Total FY	Q4	Total FY	Q4	Total FY	Q4	Total FY
Residential Rehabilitation Grant Program	0	80	0	50	0	25	0	15
Down Payment Assistance Program	18	141	10	133	8	25	5	16
Loan Subordinations	0	0	0	0	0	0	0	0

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. There were no inquiries or applications sent, and or received for the grant program during this quarter. Seven rehabilitation projects were completed during this Fiscal Year. The Fiscal Year 2023-24 funding for this program was renewed by City Council on May 2, 2023 and applications are currently being accepted.

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 the following outreach and education on the program:

- Staff conducted two (2) virtual workshops via Zoom together with NeighborWorks of Orange County with a total of 48 attendees. These workshops are conducted every second Tuesday of the month.
- Staff participated in one First Time Homebuyer Workshop sponsored by Councilmember Phan. In total, four (4) professionals and eight (8) residents attended the workshop to get information on how to qualify for the City's Down Payment Assistance Loan Program.
- On June 10, staff participated in a First-Time Homebuyer Fair hosted by Orange County Community Housing Corporation at Santa Ana College. 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 150 people.
- On June 28, staff provided a Spanish language Down Payment Assistance and Affordable Housing Workshop at Latino Health Access. This workshop was attended by 14 residents.

As a result of these efforts, (5) down payment assistance loan applications were approved and five (5) closed escrow.

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 fourth quarter, the principal balance was \$149,153,321. This portfolio is comprised of 341 loans of which 319 are deferred or

residual receipt payment loans. As shown in Table 2, the loan portfolio generated \$464,827.98 in payments of principal and interest during the fourth quarter. The amount of residual receipts payments changes every quarter.

Table 2: Portfolio Revenue

	HOME	CDBG	Redevelopment	NSP
Loan Payoffs	\$0	\$0	\$30,000.00	\$0
Residual Receipts Payments	\$98,134.72	\$0	\$206,463.18	\$96,892.26
Amortized Loan Payments	\$8,013.80	\$3,402.13	\$21,921.89	\$0
Total for Q4	\$106,148.52	\$3,402.13	\$258,385.07	\$96,892.26

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, 38 owner-occupancy recertification letters were mailed and 24 were returned and processed. This number includes letters sent from previous months. Staff also conducted a total of 414 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 onus 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, the City Council adopted an amended Rent Stabilization and Just Cause Eviction Ordinance (Ordinance) that included a number of changes. The

amended 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 the full Ordinance and answers to Frequently Asked Questions in English, Spanish and Vietnamese. 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 Ordinance. This project has met many critical milestones over the course of Quarter 4 (Q4).

Staff, in partnership with Revenue and Cost Specialists (RCS), conducted a comprehensive fee study to determine appropriate program fees to recover all program costs associated with services provided under the Ordinance. The Rental Registry Fee was approved in the FY 2023-24 Miscellaneous Fee Schedule. Additionally, the City Council approved the City's new Rent Stabilization Division in the City's FY 2023-24 Annual Budget to administer the Ordinance.

Staff, in partnership with 3Di, Inc. worked to implement a rental registry portal that supports the Ordinance. In Q4, staff worked with the consultant on a weekly basis to configure 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 worked 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.

Staff conducted targeted outreach in partnership with Santa Ana Unified School District, neighborhood associations, non-profits who work with low-income residents, and at local laundromats in an effort to strengthen the way we engage with our community.

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 Q4:

- Reviewed and made continuous improvements to the layout, content, and forms on the Renter Protections webpage for easier access and understanding.
- Published new information on the City's webpage, including the Notice of Allowable Rent Increase, Fair Return Petition, Capital Improvement Petition, and Tenant Petition to ensure compliance with the City's Ordinance.
- Created a new website for the City's monthly Rent Stabilization Newsletter, increasing access to residents who need the newsletter translated into another language.

- Fielded calls and emails from the public and provided information, referrals and education to renters and property owners on the City’s Ordinance.
- Collected notices from landlords to monitor for compliance with the Ordinance.

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

Month	# of Inquiries
April 2023	93
May 2023	101
June 2023	103
Total	297

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
April 2023	29
May 2023	76
June 2023	48
Total	153

Staff also conducted one (1) workshop in partnership with Latino Health Access:

Month	# of Registrants
May 17, 2023	41
Total	41

The City regularly distributes important updates and information to Santa Ana residents. During this quarter, staff informed the public of programmatic updates via social media, newsletters, and email distribution lists, reaching a total of 10,147 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 June 30, 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:

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 homeownership and rental housing opportunities as well as provide emergency shelter. 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	FY	FY	FY	FY	FY	FY
2009-2017	17/18	18/19	19/20	20/21	21/22	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 one (1) affordable housing project in pre-development. During this quarter, Legacy Square completed it's construction and a final certificate of occupancy was issued. 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 Completed during this Quarter

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.
Authority Funds	Eight (8) Project-Based Vouchers (PBVs)
Update	The final Certificate of Occupancy was issued on June 14, 2023. A Grand Opening Ceremony was held on June 21, 2023. The lease-up of units is continuing.

Projects under Construction

Estrella Springs (1108 N. Harbor) (Formerly called North Harbor Village)

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 regular PBVs.
Update	During this quarter, the project name was officially changed to Estrella Springs. Construction is currently underway. Recent activities include insulation, drywall, and interior work in Building C. Changes in the MEP, structural, and building have triggered plan check revisions that have taken some time to complete. Plan resubmittals have also required submittals to the Orange County Fire Authority (OCFA). The submittals are needed to complete the interior work. Most approvals for Bldg. C have been issued but approvals are pending for Bldg. B and Bldg. A. Once the interior work is approved it will all be completed while elevator, exterior stucco, and paint start. The current schedule is subject to change pending approvals from the city on our plan revisions.

Westview House (2530 Westminster Avenue)

Developer	Community Development Partners with Mercy House as the service provider
Description	New construction of an affordable multifamily apartment development consisting of 84 units of both large family and PSH units and one (1) manager's unit. Twenty-six 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	The project has completed rough framing and roofing. Project is currently working on utility rough ins. 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	The project is framed and roofed. The developer is working with the Corporation for Supportive Housing, Orange County staff, and the Santa Ana Housing Authority to begin the marketing.

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

Developer	Habitat for Humanity of Orange County (Habitat)
Description	New construction of two 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	Significant interior work was completed during this quarter including the painting, door installation and cabinetry work. On May 5, Habitat held the Leaders Build Challenge on-site. Event participants included sponsors and volunteers. The event was attended by Mayor Farrah Khan of Irvine, Orange County Supervisor Vicente Sarmiento of the 2nd District, and Senator Tom Umberg. The initial outreach for homebuyers did not generate qualified buyers that met the City's local preference. The outreach strategy was revamped and was more targeted. The City assisted in the outreach efforts by including in its communications to residents. During July, Habitat will review home buyer applications and will present to the City those buyers recommended for final selection. Volunteer opportunities continue to be offered Wednesday

	through Saturday throughout the duration of the build. During this quarter, there were 919 unique volunteers with a total of 8,430 volunteer hours.
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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 47 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. The abatement and demolition of the project is complete. A Groundbreaking Ceremony was held on June 15, 2023. The expected construction completion date is November 2024.

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.
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 it's builder captain, City Ventures, met with the City's Planning and Building Agency to clarify comments from the 3 rd submittal. Subsequently, building permits were issued in May. A Groundbreaking Ceremony was held on June 12, 2023, and construction will begin in July. Completion of the project is estimated by the 1st quarter of 2024.

Projects in Pre-Development

Habitat for Humanity (1921 W. Washington Avenue)

Developer	Habitat for Humanity of Orange County (Habitat)
Description	New construction of three (3) duplexes / six (6) homes for homeownership serving households up to 80% AMI.
City Funds	Inclusionary Housing Funds (\$2,200,000)
Update	In March, Habitat received comments on its initial application for review. Comments were reviewed and addressed. A second Sunshine Ordinance meeting was held on May 30, 2023 at the El Salvador Community Center. In addition to the Habitat team and staff from the City, over 15 individuals attended the meeting. Representatives from Habitat and the City presented attendees with information on the project, provided an opportunity for questions, and addressed feedback from the first meeting and the application comments received. Attendees asked questions related to understanding income qualifications and the home buyer selection process. Habitat submitted its responses to comments received from the City and updated application documents on June 12, 2023.

FISCAL IMPACT

There is no fiscal impact associated with this action.

EXHIBITS

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

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