



# City of Huntington Beach

APPROVED 6-0-1  
AS AMENDED  
(PETERSON-ABSENT)

File #: 19-1024

MEETING DATE: 11/4/2019

## REQUEST FOR CITY COUNCIL/HOUSING AUTHORITY ACTION

**SUBMITTED TO:** Honorable Mayor/Chair and City Councilmembers/Commissioners

**SUBMITTED BY:** Oliver Chi, City Manager/Executive Director

**PREPARED BY:** Kellee Fritzal, Deputy Director of Economic Development

### Subject:

**Approve and authorize execution of an Acquisition Loan Agreement between the City and Jamboree Housing Corporation for development of up to 43 senior apartment units located at 18431 Beach Boulevard; and approve allocation of funds**

### Statement of Issue:

Jamboree Housing Corporation ("Jamboree") has entered into a purchase and sale agreement for the acquisition of an approximately .78 acre parcel of vacant land located at 18431 Beach Boulevard (Site), with the intent to develop an affordable housing project. Based on the merits of the project, coupled with the City's availability of restricted housing funds, staff is recommending approval of a \$3 million property acquisition loan to help facilitate the affordable housing development project. Of note, the proposed property acquisition loan would only be to help facilitate acquisition of the Site. If Jamboree is unable to secure financing for the project, or if Jamboree fails to entitle their proposed project, the Site would have to then be transferred back to the City.

### Financial Impact:

The funding will be through the Inclusionary Housing Fund of \$2.1 million (Fund 217) and LMIHAF Fund of \$900,000 (Fund 352); the former Redevelopment Agency housing funds. Both of these funds are restricted for the purpose of developing affordable housing within the City. Adequate fund balance is available in both funds.

### Recommended City Council and Housing Authority Action:

- A) Approve the Loan Agreement (as defined later in this Staff Report) by and between the City of Huntington Beach, the Housing Authority and JHC-Acquisitions LLC. Authorize the City Manager/Executive Director and City Attorney/Authority Counsel to make non-substantive changes if required; and,
- B) Authorize and direct the City Manager/Executive Director, after City Attorney/Authority Counsel review, to sign any necessary documents to implement the Agreement; and,
- C) Appropriate funds of \$2.1 million from Fund 217 and \$900,000 from Fund 352 for this purpose.

**Alternative Action(s):**

Do not approve the Agreement and provide Staff direction.

**Analysis:**

Jamboree has entered into a purchase and sale agreement to acquire the Site for \$3 million. As part of their proposed development plan, the developer has been engaged in discussions with the City regarding a possible subsidy to facilitate their acquisition of the identified property. After review and analyzing the issue in great detail, staff and Jamboree have developed for City Council consideration an Acquisition Loan agreement (Loan Agreement). If approved, the Loan Agreement would result in the City providing Jamboree with a \$3 million loan to facilitate acquisition of the Site. Of note, the Loan Agreement would be secured by the real property acquired, and would also require that affordability covenants be recorded against the Site to prohibit anything other than affordable housing on the property.

By acquiring the Site, Jamboree will be able to seek funding for the construction of the project from multiple sources including the State, County, and the Tax Credit Allocation Committee ("TCAC"). If Jamboree fails to secure the required funding for development, the land will be conveyed to the City for a future affordable housing project.

While Jamboree has entered into a purchase and sale agreement to acquire the Site for \$3,000,000, an appraisal dated July 30, 2019, prepared by Nagasaki and Associates, values the site at three million, two hundred thousand Dollars (\$3,200,000). Jamboree has conducted both a Phase I and Phase II Environmental Site Assessment which determined the site to be free of environmental contamination liabilities.

Jamboree is a nonprofit affordable housing developer founded in 1990 with the mission to deliver quality housing and services, leverage resources, transform lives, and strengthen communities. Jamboree currently has five (5) successful affordable housing projects within the City of Huntington Beach.

The Community Development Department has reviewed several conceptual housing projects at the site over the past ten years. Jamboree's site analysis has resulted in the following conceptual unit yield for the site:

Type of Units	Number of Units
1-Bedroom Units	39
2- Bedroom Units	4
<b>Total</b>	<b>43</b>

Part of Jamboree's site analysis to determine whether the site is a good candidate to be eligible for restricted funds not only requires the unit yield analysis, but an affordability analysis as well. As part of this analysis, Jamboree envisions this affordable housing project to consist of 33 units for extremely low-income seniors, and six units for low income seniors. Jamboree also envisions a future project to include wrap-around services to assist the vulnerable, extremely low-income

population that Jamboree looks to serve at the site. This model is often referred to as “permanent supportive housing.”

It is necessary for Jamboree to acquire the site in order to be competitive for additional funding. The City’s financial consultant, Keyser Marston Associates, reviewed Jamboree’s pro-forma and determined that the projected costs and revenues are in line with industry standards for the proposed product type and financial gap of three million, three hundred eleven thousand dollars (\$3,311,000) does exist. In other words, the projected costs to develop the proposed product type exceed the projected revenue generated by over three million dollars. Therefore, the loan amount of three million dollars (\$3,000,000) is reasonable and justified to enable an affordable housing development at the site.

If the Loan Agreement is approved, Jamboree will use its best efforts to secure additional financing and entitlements. Upon successful completion of those efforts, an Affordable Housing Agreement will be brought forward to the City Council for consideration to memorialize the specifics of an affordable housing development (unit count, affordability, etc.).

**Environmental Status:**

The action to approve the Loan Agreement with Jamboree is exempt pursuant to Section 15061(b)(3) of the California Environmental Quality Act (CEQA) Guidelines, which exempts activities where it can be seen with certainty that there is no possibility that the activity may have an adverse environmental effect. Jamboree is currently in the process of acquiring the Site and is requesting an acquisition loan from the City. The action to enter into the Loan Agreement with Jamboree does not constitute project approval or ensure that the project would obtain funding to move forward. Jamboree is acquiring the site for the purpose of obtaining funding for and the subsequent development of an affordable housing project of up to 43 units on the site, which would be subject to a separate development application and environmental review process. However, a future project contemplated on the Site would be exempt pursuant to Section 15194, which exempts affordable housing projects meeting specific criteria listed in Sections 15192 and 15194 of the CEQA Guidelines. Based on current site information, the Site and project would meet the criteria listed in the above-mentioned sections.

**Strategic Plan Goal:**

Non-Applicable - Administrative Item

**Attachment(s):**

1. Acquisition Loan Agreement by and between the City of Huntington Beach and JHC-Acquisitions LLC



D) Approve the appointment of Marie Knight to the position of Director of Organizational Learning & Engagement; and,

E) Approve and authorize the City Manager to execute the "Employment Agreement Between the City of Huntington Beach and Marie Knight" for the position of Director of Organizational Learning and Engagement.

***Approved 6-0-1 (Peterson absent) as amended to strike reference to vacant Department Head positions identified on Exhibit 1 of Resolution 2019-78***

16. **19-1104** Approved the appointment of Christopher Slama to the position of the Director of Community Services and authorized the City Manager to execute the Employment Agreement

**Recommended Action:**

Approve and authorize the City Manager to execute the "Employment Agreement Between the City of Huntington Beach and Christopher Slama" for the position of Director of Community Services.

***Approved 6-0-1 (Peterson absent)***

**ADMINISTRATIVE ITEMS**

17. **19-1119** Approved and authorized execution of a Lease Agreement for Let's Go Fishing and Surf City Snack Bar, LLC at the Huntington Beach Pier

**Recommended Action:**

A) Approve and authorize the Mayor, City Clerk, and City Manager to execute "Lease between the City of Huntington Beach and Let's Go Fishing and Surf City Snack Bar, LLC ~~Marian Johnson, a sole proprietor, doing business as Let's Go Fishing and Surf City Snack Bar~~ in the City of Huntington Beach"; and,

B) Direct staff to review expectations/options for the Pier Concession and bring back as a Study Session item.

***Approved 6-0-1 (Peterson absent) as amended to revise lease agreement from a 1-year to 6-month term, with a month-to-month option thereafter for year one; and, to accept revisions submitted via Supplemental Communication to update the business name and delete Section 16. SECURITY DEPOSIT.***

18. **19-1024** Approved and authorized execution of an Acquisition Loan Agreement between the City, Housing Authority and Beach Housing Partners LP for development of up to 43 senior apartment units located at 18431 Beach Boulevard; and approved allocation of funds

**Recommended City Council and Housing Authority Action:**

A) ***Direct the City Manager/Executive Director and City Attorney/Authority Counsel to finalize the draft Acquisition Loan Agreement (18431 Beach Boulevard) by and among the Huntington Beach Housing Authority, City of Huntington Beach, and Beach Housing Partners LP;*** ~~Approve the Loan Agreement (as defined later in this Staff Report) by and between the City of Huntington Beach, the Housing Authority and JHC Acquisitions LLC. Authorize the City Manager/Executive Director and City Attorney/Authority Counsel to make non-substantive changes if required; and,~~

B) Authorize and direct the City Manager/Executive Director, after City Attorney/Authority Counsel review, to sign any necessary documents to implement the Agreement; and,

C) Appropriate funds of \$2.1 million from Fund 217 and \$900,000 from Fund 352 for this purpose.

**Approved 6-0-1 (Peterson absent) as amended by Supplemental Communication to revise Recommended City Council and Housing Authority Action A).**

19. **19-1094** Directed staff to prepare Amendments to the Housing Element of the General Plan and to the Beach Edinger Corridor Specific Plan (BECSP) to obtain Housing and Community Development (HCD) certification for the purpose of being eligible to apply for SB 2 Funds

**Recommended Action:**

*Direct staff to prepare a plan for the amendments to the Housing Element and Beach Edinger Corridor Specific Plan (BECSP) with the affordable housing overlay, and submit that plan to the State Housing and Community Development (HCD) for consideration and review in an effort to get our Housing Element certified* ~~Direct staff to prepare an amendments to the Housing Element and BECSP for City Council consideration.~~

**Approved 4-2-1 (Semeta, Hardy-No; Peterson-Absent) as amended.**

**COUNCILMEMBER COMMENTS (Not Agendized)**

*Comments provided Brenden, Carr, Posey, Delgleize, Hardy and Semeta*

**ADJOURNMENT – 9:53 PM**

The next regularly scheduled meeting of the Huntington Beach City Council/Public Financing Authority is Monday, November 18, 2019, at 4:00 PM in the Civic Center Council Chambers, 2000 Main Street, Huntington Beach, California.

**INTERNET ACCESS TO CITY COUNCIL/PUBLIC FINANCING AUTHORITY AGENDA AND STAFF REPORT MATERIAL IS AVAILABLE PRIOR TO CITY COUNCIL MEETINGS AT**

<http://www.huntingtonbeachca.gov>