



Legislation Details (With Text)

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On agenda:	11/4/2019	Final action:	11/4/2019
Title:	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		
Attachments:	1. Att#1 Contract will be Supplemental Communication, 2. SC #18 19-1024 11-01-2019.pdf, 3. SC #18 19-1024 11-01-2019 2.pdf, 4. SC #18 19-1024 11-04-2019.pdf		

Date	Ver.	Action By	Action	Result
11/4/2019	1	City Council/Public Financing Authority	approved as amended	Pass

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 Fritzel, 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
Total	43

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