



# City of Huntington Beach

File #: 21-033

MEETING DATE: 1/19/2021

## REQUEST FOR CITY COUNCIL AND HOUSING AUTHORITY ACTION

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

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

**PREPARED BY:** Ursula Luna-Reynosa, Director of Community Development

**Subject:**

**Approve and authorize execution of an Affordable Housing Agreement between the City, the Housing Authority and Beach Housing Partners, LP (Jamboree Housing Corporation) for a 43-unit senior affordable housing project located at 18431 Beach Blvd.**

**Statement of Issue:**

On November 4, 2019, the City Council approved a \$3 Million loan to Jamboree Housing Corporation for development of a 43-unit senior affordable housing project at 18431 Beach Blvd. (Attachment 1). As part of that action, the City Council directed staff to negotiate an agreement outlining the specific affordability terms for the project. Staff has prepared an Affordable Housing Agreement (the "Agreement") (Attachment 2) with Huntington Housing Partners, LP with Jamboree Housing Corporation as the Managing General Partner (the "Developer"), as summarized below, for City Council consideration.

**Financial Impact:**

In November 2019, the City Council allocated \$3 million from the Affordable Housing Trust Fund (\$2,100,000) and the Low and Moderate Income Housing Asset Fund (\$900,000) as an acquisition loan to enable Jamboree Housing Corporation to acquire 18431 Beach Blvd. for an affordable housing project. Should the City Council approve the Agreement, the acquisition loan will be converted to a permanent loan. By separate action, the City Council has been asked to consider an amendment to the City's Annual Action Plan that governs the use of federal Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) funds. One action of the amendment is to allocate \$2,830,698 of HOME funds to this project in lieu of these City funds. If the City Council approves this allocation of HOME funds then the Low and Moderate Housing Asset Fund will be reimbursed \$900,000 and the Affordable Housing Trust Fund will be reimbursed \$1,930,698. The City's \$3 Million dollar permanent loan will be comprised of \$2,830,698 in HOME funds and \$169,302 in Affordable Housing Trust Funds. The Developer will pay an annual monitoring fee of \$1,075, increasing 3% per year, to defray the City's cost associated with monitoring the affordability requirements.

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

A) Approve the Agreement by and between the City and Developer; and,

B) Authorize and direct the City Manager to finalize and execute the “Affordable Housing Agreement By and Among the City of Huntington Beach, California, The Huntington Beach Housing Authority, and Beach Housing Partners LP, A California Limited Partnership” attached hereto, in a form approved by the City Attorney; and,

C) Authorize and direct the City Manager to execute any other documents and budgetary actions necessary to implement said Agreement.

**Alternative Action(s):**

Do not approve the proposed Agreement or request amendments to the Agreement.

**Analysis:**

On November 4, 2019, the City Council approved an Acquisition Loan Agreement with Jamboree Housing Corporation (Jamboree) to purchase a .78 acre parcel of vacant land located at 18431 Beach Blvd. (the “Property”) (Attachment 3) to develop a 43-unit senior affordable housing project (the “Project”). As part of that action, the City Council directed staff to negotiate an agreement with Jamboree or a subsidiary, setting forth the specific affordable housing terms for the Project. Jamboree has since purchased the Property, formed a subsidiary, Beach Housing Partners, LP, and begun the City’s site plan review process. Jamboree has also begun applying for additional financing for the Project from the State, County, Orange County Housing Finance Trust, and Tax Credit Allocation Committee. Staff and the Developer have negotiated the terms of the Agreement, which is attached for City Council consideration.

**Project Description**

The proposed Project consists of 43 one-bedroom affordable senior apartments. For a term of 60 years, 33 units will be affordable to extremely low income households (those earning less than 30% of the area median income) and 9 units will be affordable to very low income households (those earning less than 50% of the area median income). One unit will be an on-site manager’s unit.

**Project Financing**

The total estimated acquisition and development costs for the Project are \$26,574,531. City assistance approved by the City Council in November 2019 totals \$3 million (\$69,767 per unit) or 11% of the total development costs. As is typical of affordable housing projects, there will be a variety of other funding sources, including:

- Federal tax credits
- Tax-exempt bonds
- County of Orange Special Needs Housing Program (SNHP) loan
- County of Orange No Place Like Home (NPLH) loan
- Orange County Housing Finance Trust loan

The City’s \$3 Million loan was funded from the Affordable Housing Trust Fund (\$2,100,000) and Low and Moderate Income Housing Asset Fund (\$900,000). During the past year, the owners of two affordable housing projects in Huntington Beach (Hermosa Vista and Huntington Pointe Apartments)

repaid HOME funded loans to the City in the total amount of \$2,315,553. By separate action, the City Council is asked to allocate these repaid HOME funds along with \$515,145 in unallocated HOME funds to this Project in lieu of the City's affordable housing resources. HOME funds have strict expenditure timeframes and other requirements (e.g. federal prevailing wages for construction) that the Project is already satisfying to meet County of Orange financing requirements. If approved, the Low and Moderate Housing Asset Fund will be reimbursed \$900,000 and the Affordable Housing Trust Fund will be reimbursed \$1,930,698 for use on future affordable housing opportunities. The City's \$3 million loan to Jamboree Housing Corporation will then consist of \$2,830,698 in HOME funds and \$169,302 in Affordable Housing Trust Funds.

The proposed term of the City's loan is 60 years with simple interest of 3%. Jamboree will repay the City loan proportionally among all public agency lenders (such as the County of Orange) with full repayment by the 60-year maturity date of the City's note. Payments will be made to the City annually, from the project's residual receipts (i.e., annual revenue remaining after operating expenses).

A financial gap analysis of the Project prepared by the National Development Council shows anticipated project development costs are reasonable, the City's financial assistance of \$3 million is appropriate, and the Project is financially feasible if the Developer successfully obtains the funding described above. In addition, because City staff will be monitoring the project annually for compliance with affordability requirements and other terms of the Agreement, Jamboree has agreed to pay an annual monitoring fee of \$1,075, increasing at 3% per year, to defray the City's cost associated with this monitoring.

#### Schedule

The Agreement provides the Developer until May 2022 to obtain all necessary financing to complete the project and then two years to finish construction. If either of these deadlines are missed, the City may terminate the Agreement and ownership of the Property will transfer to the City. In that unlikely event, the City could consider completing the project in partnership with a different affordable housing developer.

#### Conclusion

The Project meets a critical affordable housing need within the Huntington Beach community. Per the Homeless Task Force Team, case managers and officers have made contact with and offered services to approximately 157 seniors. It is estimated that many more seniors are on the verge of homelessness. This Project will provide wrap-around, supportive services to its residents. Eligible occupants of the City's Navigation Center will have priority on the Project's waiting list. The restricted City funds utilized to subsidize the Project must be used for affordable housing. This Project satisfies affordable housing needs within the community and meets the criteria of the proposed restricted funds.

#### **Environmental Status:**

Pursuant to Section 15194 the California Environmental Quality Act (CEQA) Guidelines, affordable housing projects meeting specific criteria listed in Sections 15192 and 15194 of the CEQA Guidelines are exempt. The Project meets the criteria listed in the above-mentioned sections and is therefore exempt.

**Strategic Plan Goal:**

Strengthen long-term financial and economic sustainability

**Attachment(s):**

1. November 4, 2019 RCA approving an Acquisition Loan Agreement between the City and Jamboree Housing Corporation
2. Affordable Housing Agreement between the City of Huntington Beach, the Huntington Beach Housing Authority, and Beach Housing Partners, LP (Jamboree Housing Corporation)
3. Site Map