

AFFORDABLE HOUSING AGREEMENT

July 28, 2009

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In the ensuing months since adoption of the CHDO Reservation Agreement, staff and the Developer have identified the Grove Park Apartments as a suitable acquisition site. The Developer has vigorously pursued property negotiations with the current owner under the authority of the CHDO Reservation Agreement. Within this context, the Developer made an offer in May 2009 to purchase the Grove Park properties.

In September 2008, the Housing Authority published a Public Notice announcing the availability of a maximum of 52 Project-based Vouchers. The Housing Authority received one eligible proposal, which meets all the criteria of the Project-based Program, from Jamboree Housing Corporation. On June 23, 2009 Council accepted Jamboree's proposal and committed 52 Project-based Vouchers to the Grove Park Project.

Jamboree Housing Corporation (a non-profit housing developer) develops, acquires, renovates and manages affordable rental and ownership properties for lower income families and seniors throughout Southern California. Currently, Jamboree owns properties in the Buena Clinton and Stuart Drive neighborhoods of Garden Grove. Jamboree has a reputation as a fine developer with top-notch management of their properties.

In addition to renovating the interiors and exteriors of the Grove Park properties, the Developer will provide a myriad of social services to all Buena Clinton residents by their in-house social services division, Housing With Heart. The services provided by Housing With Heart will compliment and expand the social services currently provided by the Buena Clinton Family Resource Center. The services will include senior services, workforce educational development, ESL classes and gang prevention education.

Jamboree has a strong commitment to providing a safe environment for their tenants. Jamboree has a very strong working relationship with the Santa Ana Police Department to ensure that their Santa Ana properties remain safe and crime free. Staff from Jamboree has met with our Police Department to begin to develop an effective working relationship to evict problem tenants, report and address crime issues and create an open dialog with law enforcement.

DISCUSSION

The Affordable Housing Agreement and its attendant exhibits, comprised of a Regulatory Agreement, Promissory Note and a Deed of Trust, are presented for Council consideration for the purpose of 1) extending purchase financing to the Developer by the City in the form of a Note secured by a Trust Deed recorded against the Property; 2) integrating the terms of the agreement into the recorded covenants that restrict affordability and that prescribe property maintenance standards over a 55-year affordability period; and 3) structuring loan repayment.

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Summarized below are the salient provisions of the proposed Affordable Housing Agreement:

- The Property is located in the Buena Clinton neighborhood and consists of 13 eight-plex apartment buildings with a total of 104 units. The addresses are: 12622, 12632, 12652, 12662, 12682 Keel, 12572, 12602, 12612, 12631, 12651, 12661, 12682 and 12692 Morningside.
- The Developer has entered into a purchase agreement with the seller for a purchase price of \$14,300,000, contingent upon the City providing assistance and the Developer securing an award of a tax credit allocation.
- Based upon a layering analysis performed, the amount of HOME warranted assistance for the Project is \$3.8 million and the total cost of development is \$23.8 million:

<i>Land Costs (Including Relocation)</i>	<i>\$14,750,000</i>
<i>Direct Costs (Including Improvements)</i>	<i>\$4,427,000</i>
<i>Indirect Costs</i>	<i>\$3,052,000</i>
<i>Financing Costs</i>	<i>\$1,602,000</i>
<i>Total</i>	<i>\$23,831,000</i>
<i>Sources of Financing</i>	<i>\$20,031,000</i>
<i>Gap financed by CHDO/HOME Funds</i>	<i>\$3,800,000</i>

- The total City loan is \$3.8 million (\$1.6 million in CHDO and \$2.2 million in HOME funds). The loan is inclusive of the \$170,000 Predevelopment Loan, which was approved on August 26, 2008.
- The City's loan will accrue 3% simple interest and extends 55 years with loan payments paid annually through 50 percent of the residual receipts from the Project's Net Profits.
- The units will be rehabilitated in accordance with the Scope of Development.
- Once the units are rehabilitated, 103 of the units will be occupied by low- and very-low income households. The remaining unit will be used as an on-site manager's apartment.
- The Developer will provide supportive services to the residents of the project in accordance with the Description of Supportive Services.
- Beginning in year 15 (at the termination of the Compliance Period) and continuing through year 60, the City shall have the Right of First Refusal for the purchase of the property should the Developer decide to sell the property.

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COMMUNITY VISION IMPLEMENTATION

The Affordable Housing Agreement for the Grove Park Project assists with the Strategic Plan goal to seek quality housing opportunities.

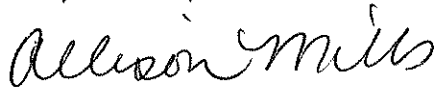
RECOMMENDATION

It is recommended that the City Council:

- Approve the Affordable Housing Agreement with JHC-Acquisitions, LLC for the acquisition and rehabilitation of the Grove Park Apartments
- Adopt the attached City Council Resolution approving the Affordable Housing Agreement.



SUSAN EMERY
Community Development Director



By: Allison Mills
Senior Project Manager

Recommended for Approval



Matthew Fernal
City Manager

Attachment 1: Affordable Housing Agreement

Attachment 2: City Resolution