



Agenda Item

City Council

Item #: 7.2.

1/23/2024

File #: 24-0032

TO: Honorable Mayor and Members of the City Council

THRU: Tom Kisela, City Manager

FROM: Russell Bunim, Community Development Director

1. SUBJECT

Affordable Housing Agreement between the City of Orange and Orange 702, L.P.

2. SUMMARY

Agreement with Orange 702, L.P., a limited partnership including USA Properties, to provide financing for a 166-unit affordable housing development for extremely low income and lower income senior citizen households to be located at 1800 E. La Veta Avenue, and to be developed as the Orion Senior Housing Apartments.

3. RECOMMENDED ACTION

1. Approve the Affordable Housing Agreement between the City of Orange and Orange 702, L.P. in the amount of \$2,200,000; and authorize the Mayor and City Clerk to execute on behalf of the City.
2. Authorize the City Manager to execute the Agreement, substantially in the form attached, with any minor, non-substantive changes approved by the City Attorney.
3. Authorize the City Manager to execute any and all documentation in furtherance of the Agreement, including, but not limited to, any attachments to the Agreement and any necessary subordination agreements.
4. Authorize the appropriation of \$2,200,000 from the Low and Moderate Income Housing Asset Fund (921) unreserved balance to expenditure account number 921.9810.56571.20540 - Rehab/Dev Loans - Orion Project. Estimated fund balance after appropriation is \$955,000.

4. FISCAL IMPACT

The total expenditure for this agreement is \$2,200,000.00 and will be funded in Rehab/Dev Loans - Orion Project (20540) through the Low- and Moderate-Income Housing Asset Fund (921).

Upon approval of this appropriation, the estimated fund balance in Fund 921 at June 30, 2023 will be \$955,000

5. STRATEGIC PLAN GOALS

Goal 3: Enhance and promote quality of life in the community

c: Support and enhance attractive, diverse living environments.

6. DISCUSSION AND BACKGROUND

Orange 702, L.P. is proposing to develop and operate 164 affordable housing units for extremely low income and lower income senior citizens and two manager's units on the property at 1800 E. La Veta Avenue in which the developer will acquire a long-term leasehold interest in the form of a Ground Lease for that purpose. Orange 702, L.P. is requesting the City provide a financial subsidy assistance in the amount of \$2.2 million as partial "gap financing". Staff is proposing to fund the assistance with former redevelopment agency set-aside funds for the production of affordable housing (LMIHAF).

Project Description

The proposed project includes demolition of an existing 107,586 square foot, one and two-story rehabilitation building with enclosed swimming pool, a 1,300 square foot single family residence, and related site improvements and construct 164 affordable senior apartments and two managerial units.

Summary of Unit Mix (166 Total)

Unit Mix & Affordability	1 Bedroom	2 Bedroom	Total Units
30% AMI TCAC	11	6	17
50% AMI TCAC	22	10	32
60% AMI TCAC	22	10	32
70% AMI TCAC	56	27	83
Total Affordable Units	111	53	164
Manager Units	0	2	2
Total Units	111	55	166

*AMI TCAC: Average Medium Income Limits set by the State Treasurer's Office

The proposed financing for the project includes the following:

Sources (Permanent)	Total
Senior Loan	\$19,000,000
NOI During Construction	\$2,461,923
Tax Credit Equity	\$21,719,976
Developers Fee	\$3,822,165
Subsidy Loan - Orange County Housing Finance Trust	\$503,502
Subsidy Loan - City of Orange	\$2,200,000
Subsidy Loan - Riverside Charitable Organization	\$4,000,000
Subsidy Loan - Orange County	\$921,150
Subsidy Loan - Safehold	\$7,000,000
Total	\$61,628,716

Affordable Housing Agreement

The Agreement with Orange 702, L.P. includes the following provisions:

- The City agrees to provide \$2,200,000 from the Low- and Moderate-Income Housing Asset Fund (LMIHAF). The LMIHAF is former redevelopment funds that were set aside for the development of affordable housing. The current fund balance is approximately \$3,155,000.
- The City loan is intended to be “gap” financing not to exceed the amounts set forth in the final project budget, which is reviewed and approved by the City.
- The City loan is residual receipts loans with a 55-year term and a 3% simple interest rate. The City may not start receiving loan repayments (which are apportioned) until sometime beyond the completion of the project; however, interest costs will be accrued.
- The City’s loan is evidenced by a Promissory Note and secured by the Deed of Trust that is tied to the leasehold interest, which includes any improvements made to the property. The Affordability Covenants and Density Bonus will be recorded against the property (the fee title) and will preserve the affordability of the units in the event of a foreclosure, regardless of the status of the Ground Lease, which is also reviewed and approved by the City.
- Ninety percent of the City’s subsidy will be disbursed at the construction loan closing and be used to pay for acquisition and development costs. The remaining 10 percent will be disbursed at project completion.

Staff recommends approving the Agreement with Orange 702, L.P. for the Orion Senior Housing Apartments.

7. ATTACHMENTS

- Affordable Housing Agreement with Orange 702, L.P.