AGENDA

I. CALL TO ORDER

II. PUBLIC COMMENTS

III. APPROVAL OF MINUTES

1. September 19, 2018

IV. ACTION ITEMS

1) Cooperation Agreement to Transfer HOME Investment Partnership Program Funds and Request to Approve the Issuance of a Preliminary Funding Award Letter for the Manchester/Orangewood Affordable Rental Housing Development – Andy Nogal

V. INFORMATIONAL ITEMS

1) Affordable Housing Update – Andy Nogal

2) Government Shutdown Update and Potential Impacts – Grace Stepter

VI. COMMISSIONERS REPORTS AND COMMENTS

VII. STAFF COMMENTS

VIII. ADJOURNMENT

POSTING STATEMENT: On Friday January 11, 2019 by 5:00 p.m. a true and correct copy of this agenda was posted in the lobby of Anaheim West Tower, 201 S. Anaheim Blvd and online at the Agenda Center at www.anaheimhousingprograms.com.

Any writings or documents provided to a majority of the Anaheim Housing and Community Development Commission regarding any item on this agenda (other than writings legally exempt from public disclosure) will be made available for public inspection in the Community Development Department located at 201 S. Anaheim Blvd., Suite 1003, during regular business hours. ***Attachments available for public viewing on second Floor.
September 19, 2018
Draft Minutes
ANAHEIM HOUSING & COMMUNITY DEVELOPMENT COMMISSION MEETING
& PUBLIC HEARING
Large Conference Room 10th Floor

PRESENT: Chris Emami, Orlando Perez, John Gatti, Linda Adair, Susan Anderson-Gohl, Ojaala Ahmad, Ada Tamayo, Timothy Houchen,

ABSENT: Norma Kurtz,

PUBLIC: None

STAFF: Deputy Director Grace Stepter
Project Manager Albert Ramirez
Staff Analyst Suzan Ehdaie
Senior Secretary Nadia Martinez

I. CALL TO ORDER:
Chairman Emami called the meeting and Public Hearing to order at 5:05 p.m.

II. PUBLIC HEARING / PUBLIC COMMENTS:
No public comments. Chairman Emami closed the Public Hearing at 5:06 p.m.

III. APPROVAL OF MINUTES:
Commissioner Ahmad moved to approve the meeting minutes of July 18, 2018 as drafted. Commissioner Adair seconded the motion. Motion carried (6-0-1). Commissioner Emami abstained. Commissioner Tamayo was not present for the vote.

IV. ACTION ITEMS:
Grace Stepter requested that the Housing and Community Development Commission review and by motion, recommend the approval of the Fiscal Year 2017-2018 Consolidated Annual Performance and Evaluation Report (CAPER) to the Governing Body of the Anaheim Housing Authority.
Ms. Ehdaie explained that CAPER is a document that captures the progress and accomplishments of projects funded through federal grants. As a condition for funding, the Department of Housing and Urban Development requires the City to submit this report annually. Ms. Ehdaie highlighted and summarized the key accomplishment in each of the federal grant programs:

- A total of 12,399 low income persons were assisted through CDBG funded public services.
- A total of 62 homeless families and individuals were assisted through HOME funded rental assistance program.
- A total of 48 low-income persons with AIDS benefitted from emergency financial assistance under the HOPWA program.
- A total of 785 homeless persons were assisted and linked to housing under the ESG program.

She also explained that overall, the City spent a total of $9,000,000 in HUD funds used to enhance community development efforts throughout the City.

After a brief question and answer session, Commissioner Perez motioned to recommend approval of the FY 2017-2018 CAPER to the Governing Board of the Anaheim Housing Authority. Commissioner Emami seconded the motion. Motion carried (8-0).

V. INFORMATIONAL ITEMS:

Ms. Stepter provided a brief status update on the Sandman Motel.

Nadia Price advised Commissioners that agendas for the Housing and Community Development Commission meetings would be delivered electronically through a link in the City’s Boards and Commissions website as of the next meeting.

VI. COMMISSIONER REPORTS AND COMMENTS:

Commissioner Adair inquired about Mr. Rivera, Section 8 Rental Assistance Program applicant, whom recently reached to the Commissioners in hopes of expediting entrance into the program.

Commissioner Gatti inquired on the status of container project.

VII. STAFF COMMENTS:

None.
VIII. **ADJOURNMENT:**

Commissioner Emami adjourned the meeting at 6:23 p.m.

Respectfully submitted,

**Nadia-Price**  
Secretary to Housing & Community Development Commission
DATE: JANUARY 16, 2019
TO: HOUSING AND COMMUNITY DEVELOPMENT COMMISSION
SUBJECT: COOPERATION AGREEMENT TO TRANSFER HOME INVESTMENT PARTNERSHIP PROGRAM FUNDS AND REQUEST TO APPROVE THE ISSUANCE OF A PRELIMINARY FUNDING AWARD LETTER FOR THE MANCHESTER/ORANGEWOOD AFFORDABLE RENTAL HOUSING DEVELOPMENT

RECOMMENDATION:

That the Housing and Community Development Commission recommend that the Governing Board of the Anaheim Housing Authority (Authority) approve a Cooperation Agreement for the Manchester/Orangewood Affordable Rental Housing Development and a Preliminary Funding Award Letter for the purpose of developing affordable housing.

DISCUSSION:

The Manchester/Orangewood site (Subject Site) was acquired by the former Redevelopment Agency and subsequently transferred to the Housing Authority for development of affordable housing in 2007. The Subject Site has long been identified as a housing opportunity site as evidenced by the approval of an Affordable Housing Agreement awarded in May 2010. Due to unforeseen circumstances, the development that was planned for the Subject Site in 2010 was unable to move forward and subsequent actions resulting in the elimination of Redevelopment Agencies in California further delayed planning efforts. However, despite these delays, staff continued to monitor community needs and evaluate the highest and best use for the Subject Site.

Given the location of the Subject Site, near the resort area and the stadium, the site presents a great opportunity to provide a new affordable rental housing option for Anaheim’s low-income working families. Therefore, on January 31, 2018, the Authority, in collaboration with the Community and Economic Development Department released a Request for Proposals (RFP) for the Subject Site, consisting of approximately 2.86 acres on Orangewood and Manchester Avenues. The RFP was released on the PlanetBids website and was widely circulated by the Kennedy Commission and the Southern California Association of Non-Profit Housing (SCANPH).

The Authority received a total of eight development proposals. A panel consisting of staff from various city departments, the Authority’s financial consultant and a member of the Housing and Community Development Commission (HCDC) assisted with the evaluation of the proposals. The criteria used to review and score each submission included developer experience and qualifications, project concept and design,
innovation, strength of onsite social services and financial terms. Based on the initial evaluations, the highest scoring proposals, a total of four projects, were invited to move forward to a second round, which consisted of an in person interview of the development teams. The interviews provided each development team with an opportunity to further showcase their design concept and elaborate on how they intended to fulfill the criteria set forth in the RFP. Based on their initial responses to the RFP and the subsequent interview, Jamboree Housing Corporation (Jamboree) received the top score, and therefore was selected as the RFP finalist.

The development proposal brought forth by Jamboree, herein referred to as the Project, proposes a four-story contemporary development consisting of a 102-unit rental units. The Project will be 100% affordable, with rents set at levels that are deemed accessible to families with incomes that fall within the extremely-low, very-low and low-income households categories as set forth by State and Federal funding sources (income tables attached). Twenty (20) of the units at the Project will be set aside for homeless households. Project amenities include a resident pool, children’s play area and roof deck. In addition, a robust level of social services, ranging from after-school programming and childcare to adult education services are planned. In response to community input, the Project will provide 214 parking spaces in a centralized three-story parking structure, which exceeds parking requirements for a development of this type and a community garden with community walkway for quiet activities, which will be accessible to Project neighbors.

Jamboree proposes to finance the development with a combination of funding sources. The primary source is the Affordable Housing and Sustainable Communities (AHSC) Program. The AHSC Program is part of California Climate Investments, a statewide program funded through the Green Gas Reduction Fund that puts billions of Cap-and-Trade dollars to work reducing Green House Gas emissions, strengthening the economy, and improving public health and the environment – particularly in disadvantaged communities. The AHSC Program funds land-use, housing, transportation and land preservation projects to support infill and compact development that reduce greenhouse gas emissions. The AHSC program allows applicants to request grant funding for public improvements within a 1 mile radius of the project therefore, an award of these funds will have an impact beyond the Subject Site as the Anaheim AHSC application, due no later than February 11, 2019, will include a $4.7 million-dollar grant request to improve bikeways, sidewalks, urban greening and public transit around the Project. As a region, Orange County has only had one project of this type funded since the inception of the AHSC program in 2014, however, the Collaborative working to put this application together, which includes several City departments, an AHSC consultant expert and Jamboree, believe the Project has a strong chance of being awarded. For the housing component of the development specifically, Jamboree is requesting $13 million in AHSC funding to assist with development of the Project. Other funding will include $15,462,506 from the California Tax Credit Allocation Committee and another $8,559,222 from a private lending institution. Jamboree will defer $524,010 of their development fee.
While the majority of the funding needed to complete the Project is projected to come from State resources, assistance is needed from the Authority to close a remaining financial gap. To address the gap, the Authority proposes to enter into a 55-year ground lease of the site valued at approximately $11,154,000 and provide a loan of up to $3,172,633 in HOME and/or Low Moderate Income Housing Asset Funds. The Authority also plans to contribute $551,696 in Park Fee Credits to the Project. The ground lease, loan and credits will be paid back to the Authority from 85% of the project’s residual receipts. Additionally, the Authority is proposing an allocation of 20 Section 8 Project Based Vouchers to the Project. The City will provide a fee waiver and energy star rebate of $282,294. Total development costs for the Project are $52,574,066.

Staff is supportive of the Project, as proposed, and therefore requests that the Governing Board of the Housing Authority approve a Cooperation Agreement between the City and the Housing Authority to transfer up to $3,172,633 of federal HOME funds from the City to the Housing Authority so that the Housing Authority can loan such funds to the Developer for the Project and also approve and authorize a Preliminary Funding Award Letter, outlining the terms and conditions of the Housing Authority’s provision of assistance to the Developer related to the Project. The Housing Authority will not enter into an Affordable Housing Agreement or release any funding until the Developer has provided evidence that all required third party funding is in place for this development. Additionally, any material changes in the terms outlined in the Preliminary Funding Award Letter will be presented to the Governing Board of the Housing Authority for review and consideration.

**Attachments:**
1. Cooperation Agreement (Transfer of HOME Funds)
2. Preliminary Funding Award Letter
3. Location Map
This COOPERATION AGREEMENT (Manchester and Orangewood) (“Cooperation Agreement”) dated as of January 29, 2019 (“Date of Agreement”), is entered into by and between the CITY OF ANAHEIM, a charter city and California municipal corporation (“City”), and the ANAHEIM HOUSING AUTHORITY, a public body, corporate and politic (“Authority”).

RECITALS

A. City is a California charter city and municipal corporation and a participating jurisdiction with the United States Department of Housing and Urban Development (“HUD”) that has received funds (“HOME Funds”) from HUD pursuant to Title II of the Cranston Gonzalez National Affordable Housing Act (42 U.S.C. 12701-12839) and the HOME Program regulations codified at 24 CFR Part 92, as amended by the “2013 HOME Final Rule” at 24 CFR Part 92 (Complete Rule) http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr92_main_02.tpl (together, “HOME Program”).

B. The HOME Program has, among its purposes, the strengthening of public-private partnerships to provide more affordable housing, and particularly to provide decent, safe, sanitary, and affordable housing, with primary attention to housing for very low income and lower income households in accordance with the HOME Program. The HOME Program funds are used by the City, as a participating jurisdiction, to carry out multi-year housing strategies through acquisition, rehabilitation, and new construction of housing for target income persons and families.

C. Authority is a California housing authority acting under the California Housing Authorities Law, Part 2 of Division 24, Section 34200, et seq., of the Health and Safety Code (“HAL”). Authority serves as the housing successor to the former Anaheim Redevelopment Agency (the “Former Agency”) and administers the Former Agency’s Low and Moderate Housing Asset Fund (the “Housing Asset Fund”) pursuant to Health and Safety Code Sections 34176 and 34176.1.

D. Authority is the owner of land consisting of approximately 2.86 acres located at 2121 S. Manchester Avenue and 915 E. Orangewood Avenue (together, the “Site”).

E. JHC-Acquisitions, LLC, a California limited liability company (“JHC”), which is an affiliate of Jamboree Housing Corporation has proposed to ground lease of the Site and to develop and operate thereon an approximately 102 unit affordable rental housing project (the “Project”).

F. JHC has proposed to Authority that JHC will lease the Site from Authority, then construct and operate the Project as an affordable rental housing facility. As part of its proposal, JHC has requested that City transfer Three Million One Hundred Seventy Two Thousand Six Hundred Thirty Two and No/100ths Dollars ($3,172,632.00) (the “Designated HOME Amount”) of moneys available to City under the HOME Program. JHC has indicated its intention to secure an allocation of AHSC and Tax Credit as part of the funding or the Project.

G. In order to eliminate deterioration and to revitalize the Site and the surrounding and nearby area, Authority and JHC are negotiating toward a comprehensive transactional agreement (an
“Affordable Housing Agreement”). Pending the negotiation and preparation of the Affordable Housing Agreement, the Authority has executed a letter which sets forth certain preliminary and tentative deal points (the “Preliminary Commitment Letter”) which are subject to modification.

H. In view of the proposal as received by Authority from JHC, the Authority and City are entering into this Cooperation Agreement pursuant to which the City agrees to contribute up the Designated HOME Amount in moneys sourced from the City’s HOME Funds for purposes of assisting in the development of the Project, as hereinafter further determined.

I. Based upon the foregoing, the City desires to make available and transfer to the Authority by this Cooperation Agreement HOME Funds up to the Designated HOME Amount.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL PROMISES, COVENANTS AND CONDITIONS CONTAINED HEREIN, THE PARTIES AGREE AS FOLLOWS:

Section 1. TRANSFER OF FUNDS BY CITY TO AUTHORITY. City agrees to transfer to Authority up to the Designated HOME Amount of HOME Funds (with the actual amount as transferred constituting “Project Funds”) held by the City to enable the Authority to proceed with and complete those activities which Authority deems to be necessary and appropriate to accomplish the Project (“Activities”).

(a) Further, Authority covenants and agrees to use the Project Funds (i) in strict conformance with Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12701-12839) and the HOME Program Regulations codified at 24 CFR Part 92, as amended by the 2013 HOME Final Rule, and (ii) to implement and perform the Activities in order to expand the supply of decent, safe, sanitary and affordable housing for Extremely Low, Very Low Income and Low Income Households.

(b) Authority may elect to use Housing Asset Funds to fund all or portion or combination thereof to fund the Project, in the sole discretion of the Authority Executive Director.

Section 2. LIABILITY AND INDEMNIFICATION. In contemplation of the provision of Section 895.2 of the California Government Code imposing certain tort liability jointly upon public entities solely by reason of such entities being parties to an agreement as defined by Section 895.4 and 895.6 of such Code, each of the Parties, as between themselves, pursuant to the authorization contained in Section 895.4 and 895.6 of such Code, will each assume the full liability imposed on it, or any of its officers, agents, or employees by law for injury caused by negligent or wrongful act or omission occurring in the performance of this Cooperation Agreement to the same extent that such liability would be imposed in the absence of Section 895.2 of such Code.

(a) To achieve the above-stated purposes, each Party indemnifies and holds harmless the other Party for any loss, costs or expense that may be imposed upon such other Party solely by virtue of such Section 895.2. The provisions of Section 2778 of the California Civil Code are made part hereof as if fully set forth herein.

Section 3. EFFECTIVE DATE. This Cooperation Agreement shall take effect from and after the date of approval hereof by the Authority Board and the City Council.
Section 4. REPRESENTATIONS AND WARRANTIES.

(a) Representations and Warranties of Authority. Authority hereby represents and warrants to City as follows:

(i) Authority of Anaheim Housing Authority. Authority represents and warrants to City it is a public body, corporate and politic, duly existing pursuant to the HAL, and it has been authorized to transact business pursuant to action of the City Council. Authority has full power and authority to execute and deliver this Cooperation Agreement and to accept the funds contemplated hereunder, to execute and deliver documents or instruments, if any, executed and delivered, or to be executed and delivered, pursuant to this Cooperation Agreement, and to perform and observe the terms and provisions of all of the above.

(ii) Authority of Persons Executing Documents. This Cooperation Agreement and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Cooperation Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Authority, and all actions required under Authority’s organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Cooperation Agreement and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Cooperation Agreement, have been duly taken.

(b) Representations and Warranties of City. City represents and warrants to Authority that it is a charter city and municipal corporation. City has full right, power and lawful authority to enter into this Cooperation Agreement and the execution, performance and delivery of this Cooperation Agreement by City, and persons on behalf of City, have been fully authorized by all requisite actions on the part of the City Council.

Section 5. DEFAULT AND REMEDIES.

(a) Events of Default. Failure by either Party to duly perform, comply with, or observe any of the conditions, terms, or covenants of this Cooperation Agreement shall be an Event of Default. The Party who so fails or delays must immediately commence to cure, correct or remedy such failure or delay, and shall complete such cure, correction or remedy with reasonable diligence and during any period of curing shall not be in default. The injured Party shall give written notice of default to the Party in default, specifying the default complained of by the injured Party. If the default is not commenced to be cured within thirty (30) days after service of such notice of default and is not cured promptly in a continuous diligent manner in a reasonable period of time after commencement, the defaulting Party shall be liable for any damages caused by such default, and the non-defaulting Party may thereafter commence action for damages with respect to such default or for specific performance of this Cooperation Agreement.

(b) Remedies. The occurrence of an Event of Default by Authority that is not cured within the time set forth herein shall relieve City of any obligation to disburse the Project Funds. The Authority may seek specific performance of this Cooperation Agreement for City’s failure to provide the Project Funds as provided under this Cooperation Agreement. The non-defaulting Party may seek money damages or any other remedy available at law or equity against the defaulting Party for an Event of Default hereunder.
Section 6. MISCELLANEOUS.

(a) Time. Time is of the essence in this Cooperation Agreement.

(b) No Third Parties Benefited. This Cooperation Agreement is made and entered into for the sole protection and benefit of City, its successors and assigns, and the Authority, its successors and assigns, and no other person or persons shall have the right of action hereon.

(c) Successors and Assigns. The terms hereof shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto; provided, however, that no assignment of Authority’s rights hereunder shall be made, voluntarily or by operation of law, without the prior written consent of City and that any such assignment without said consent shall be void.

(d) Construction of Words. Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa, words imparting persons shall include firms, associations, partnerships and corporations, and words or either gender shall include the other gender.

(e) Partial Invalidity. If any provision of this Cooperation Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

(f) Governing Law. This Cooperation Agreement and any instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California.

(g) Amendment. This Cooperation Agreement may not be changed orally, but only by agreement in writing signed by Authority and City.

(h) Captions and Headings. Captions and headings in this Cooperation Agreement are for convenience of reference only, and are not to be considered in construing the Cooperation Agreement.

[signature blocks for Cooperation Agreement on next page]
IN WITNESS, THE PARTIES HAVE EXECUTED THIS COOPERATION AGREEMENT (MANCHESTER AND ORANGEWOOD) AS OF THE EFFECTIVE DATE IN THE FIRST PARAGRAPH ABOVE.

“CITY”

CITY OF ANAHEIM
a charter city and municipal corporation

By: ________________________________
    John E. Woodhead IV, Director
    Community & Economic Development

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY

______________________________
Leonie Mulvihill
Deputy City Attorney IV

AUTHORITY:

ANAHEIM HOUSING AUTHORITY, a public body, corporate and politic

By: ________________________________
    John E. Woodhead IV, Executive Director

APPROVED AS TO FORM:

STRADLING YOCCA CARLSON & RAUTH

______________________________
Mark J. Huebsch, Special Counsel
January 29, 2019

Laura Archuleta
JHC-Acquisitions, LLC
17701 Cowan Avenue, Suite 200
Irvine, CA 92614

Re: Preliminary Award Letter regarding Certain Financial Assistance by the
City of Anaheim and the Anaheim Housing Authority, Including a Loan
Sourced from HOME Program Funds and/or Housing Asset Funds, Section
20 PBVs and Additional Subsidies, for the Proposed Construction and
Operation of a New Affordable Rental Housing Project (102 Units) on an
approximately 2.86-Acre Combined Site Located at 2121 S. Manchester
Avenue and 915 E. Orangewood Avenue, Anaheim, California

Dear Ms. Archuleta:

This Preliminary Award Letter (this “Preliminary Award Letter”) sets forth the basic terms
under which the Anaheim Housing Authority (“Authority”) and the City of Anaheim (“City”)
are prepared to proceed with implementation of certain public programs in connection
with the development of an approximately 2.86 acre site located at 2121 S. Manchester
Avenue and 915 E. Orangewood Avenue (the “Site”) located within the corporate limits
of the City. This Preliminary Award Letter will expire on October 1, 2019 (the “Letter
Expiration Date”), at which time the terms set forth herein will be null and void unless
sooner extended by the Executive Director of the Authority and the City’s Community &
Economic Development Department (collectively, the “Executive Director”) which the
Executive Director acting in his/her sole and absolute discretion.

You have informed us that JHC-Acquisitions, LLC (“JHCA”) desires to enter into a
ground lease and loan agreement with the Authority under which JHCA would construct
and operate on the Site a new affordable rental housing development consisting of one
hundred two (102) apartment units and ancillary amenities and improvements for
tenancy and occupancy by income-eligible, qualified households at an affordable rent
with no units being restricted on the basis of age (collectively, the “Project”). The mix of
income levels among the affordable rental units shall be as described below.

Authority is the owner of a fee simple interest in the Combined Site.
Land Use Entitlement and Anaheim Assistance

In connection with seeking to undertake the Project, JHCA submitted to the City of Anaheim (the “City”) and the Authority¹ an application for financial assistance and other benefits as herein defined and described (together, “Anaheim Assistance”).

Further, JHCA intends to prepare and submit to the City an application for land use entitlements for the Site, including incentives under the State Density Bonus Law, California Government Code Section 65915, et seq. and the City’s implementing density bonus ordinance, Chapter 18.52 of the Anaheim Municipal Code (“Land Use Entitlement”).

The Project will include the one hundred two (102)-unit affordable housing complex anticipated to cost of a two (2) story building and a four (4) story building wrapping around a three (3) story garage, with residential units ranging in size from 700 square feet to 1,050 square feet, subject to further planning approval by the City. It is contemplated that the Project will include forty eight (48) one bedroom units, twenty seven (27) two bedroom units, and an additional twenty seven (27) three bedroom units. Twenty (20) of the Project units will be set aside for homeless households. As specified in the development plans, the Project will include 214 parking spaces and 21,000 square feet of recreation and leisure space. Project amenities include; resident pool and club house, children’s play area, roof deck and community garden.

JHCA, with the written consent of the Seller, as applicable, shall prepare and submit to the City its application for the Land Use Entitlement that includes: Density Bonus Ordinance Incentives, Building Plan Check and, if approved, with construction subject to the City’s development standards, zoning and other laws and regulations.

In connection with implementation of the Project, JHCA has requested that Anaheim provide to JHCA, or its wholly-owned developer entity (as applicable, the “Developer”), by this Preliminary Award Letter the Anaheim Assistance described below.

Anaheim states its objective for the Developer, by this Preliminary Award Letter, to satisfy the provisions of the California Housing and Community Development Department’s (HCD) AHSC program and the California Tax Credit Allocation Committee (“TCAC”) Regulations Implementing the Federal and State Low Income Housing Tax Credit Laws, California Code of Regulations, Title 4, Division 17, Chapter 1, Section 10300, et seq. (“TCAC Regulations”), in particular Section 10325, albeit there is no intention to violate HOME Program requirements, in particular 24 CFR 92.2. If the Developer receives an award of AHSC program funding and low-income housing tax credits (“Tax Credits”), then the Developer and Anaheim may negotiate and enter into

¹ The City is a California municipal corporation and charter city; and, the Authority is a public body corporate and politic organized and existing pursuant to the Housing Authorities Law, California Health and Safety Code Section 34200, et seq. (“HAL”). In this Preliminary Award Letter, the City and the Authority are referred to together as “Anaheim.”
the Agreement in implementation of the award of AHSC program funding and Tax Credits and the Anaheim Assistance.

The Developer plans to make an application to HCD for Affordable Housing and Sustainable Communities (AHSC) program funding and the California Tax Credit Allocation Committee (TCAC) in the 2019 application cycle, and if the AHSC and TCAC funding is not awarded to the Developer to make a second application to HCD and TCAC for AHSC and 4% Tax Credits in the 2020 application cycle. If the Developer’s first two applications of AHSC and 4% Tax Credits are unsuccessful, the Authority will agree to allow one additional application to TCAC for an allocation of 9% Tax Credits in the second round of 2020; provided, however, that the Authority shall have no obligation to increase the amount of Anaheim Assistance to the Project from that described in this Preliminary Award Letter.

**Anaheim Assistance**

Jointly, the Anaheim City Council (the “City Council”) and Board of Commissioners of the Authority (the “Authority Board”) have reviewed JHCA’s requests for each component of the Anaheim Assistance, and on January 29, 2019 at a public meeting of the City Council and the Authority Board, Anaheim authorized and approved issuance of this Preliminary Award Letter to evidence the preliminary award of the Anaheim Assistance and related matters described herein. Accordingly, subject to the conditions described herein, the Anaheim Assistance comprised of the following financial subsidies and assistance will be provided to JHCA to facilitate the Project:

(i) Subject to satisfaction of conditions precedent determined by Authority (which will be consistent with conditions precedent to disposition customarily required by the Authority in agreements pertaining to the long term disposition of interests in property for development), the Authority will transfer to JHCA a long term ground leasehold interest in the Site for not less than period of fifty-five (55) years (the “Ground Lease”); and

(ii) A loan of approximately Three Million One Hundred Seventy Two Thousand Six Hundred Thirty Two and No/100ths Dollars ($3,172,632.00) (the “Development Loan”). The Development Loan shall be sourced from one or both of the following sources of money: (1) moneys transferred to the Authority by the City, as such funds have been received by the City as a participating jurisdiction (“PJ”) under the federal HOME Investment Partnerships Act and the HOME Investment Partnerships Program, in accordance with Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12701 et seq.) and the HOME Program regulations codified at 24 CFR Part 92, and provided there is and shall be no “commitment” of funds to pay such purchase price until the requirements of Section 92.2 (described herein) are fully satisfied (“HOME Program”) or (2) money held in the Authority’s Low and Moderate Income Housing Asset Fund pursuant to the Dissolution Law, Health and Safety Code Sections 34170, et seq.,
in particular sections 34176 and 34176.1 ("Housing Asset Funds"). The Development Loan will be a residual receipts loan in second lien position and subordinate to the Primary Loan (as herein defined). It is anticipated that approximately Three Million One Hundred Seventy Two Thousand Six Hundred Thirty Two and No/100ths Dollars ($3,172,632.00) (the “Authority Amount”) would consist in whole or in part, of HOME and/or Housing Asset Funds not exceeding approximately Three Million One Hundred Seventy Two Thousand Six Hundred Thirty Two and No/100ths Dollars ($3,172,632.00); and

(iii) The Ground Lease will provide for payment of a capitalized rental amount equal to the amount of the Development Loan; thereafter, JHCA, as lessee and borrower, would be obligated to repay to Authority and City, respectively, the corresponding amounts loaned by the Authority and the City (collectively, the “Anaheim Loan”); and

(iv) If one hundred two (102) units are developed at the Project, the Authority will provide twenty (20) project-based vouchers, excluding the manager’s unit (as allocated, the “PBVs”) under and in compliance with federal Section 8 Tenant-Based Assistance: Housing Choice Voucher and Project-Based (PBV) Voucher Programs, 42 U.S.C. 1437f and 3535(d), and the implementing regulations therefor in the Code of Federal Regulations, Parts 982 and 983 (collectively, the “Section 8 Laws”), and will enter into with the Developer an Agreement to Enter into a Housing Assistance Payment Contract (“AHAP”) with respect to the provision of the PBVs and thereafter execution of a Housing Assistance Payment Contract (“HAP”) for a term of twenty (20) years with respect to the provision of the PBVs to the Project pursuant to the requirements of the AHAP; and

(v) The Authority will provide Park Fee Credits to the Project in the amount of Five Hundred and Fifty-one Thousand, Six Hundred and Ninety Six Dollars ($551,696); and

(vi) The City will provide an Energy Star Rebate in the anticipated amount of One Thousand Five Hundred and No/100ths Dollars ($1,500.00) per unit, provided the Project meets the requirements of the City’s Energy Star Rebate Program; and

(vii) The City will provide a waiver or exemption of the City’s Transportation Impact and Improvement Fee that would otherwise be assessed on the Project in an estimated amount of One Hundred and Thirty Two Thousand Two Hundred and Ninety Four Dollars and ($132,294.00), and provided the Project meets the requirements of the City of Anaheim Municipal Code; and

(viii) If JHCA applies for and receives AHSC program funds from HCD and 4% Tax Credits from TCAC, the Development Loan to be provided as part of the Anaheim Assistance described above will be in an amount to be determined upon the
Laura Archuleta  
JHC-Acquisitions, LLC  
January 29, 2019

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approval of JHCA’s AHSC and 4% Tax Credit applications. Any increase in the amount of the Anaheim Assistance described herein will require approval by the City Council and the Authority Board; provided that no increase in the Anaheim Assistance is contemplated.

**HOME Program Preliminary Award and No Commitment of HOME Program Funds**

If the Anaheim Assistance is funded with HOME Program funds, by this Preliminary Award Letter Anaheim intends to make a *preliminary award* to the Developer pursuant to 24 CFR 92.504(c)(3) of the HOME Program, subject and pursuant to the HAL and all other applicable federal, state and local laws and regulations.

Anaheim has made JHCA aware of the 2013 HOME Final Rule, specifically including the amendments to the definition of "commitment" in 24 CFR 92.2 that prohibits the City, as a PJ and recipient of HOME Program funds and as transferor of such funds to the Authority (and the Authority as transferee of HOME Program funds) from providing a commitment (as the term is defined therein) of HOME Program funds to any specific local project until "the [City] and project owner [the Developer] have executed a written legally binding agreement under which HOME assistance will be provided to the owner for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within twelve months of the agreement date." (Italics added.) Notwithstanding the definition of "commitment" in 24 CFR 92.2 as amended by the 2013 HOME Final Rule, 24 CFR 92.504(c)(3) authorizes the City to "preliminarily award HOME funds for a proposed project, contingent on conditions such as obtaining other financing for the project" [italics added]; however, this section goes on to clearly confirm that "[t]his preliminary award is not a commitment to a project. The written agreement committing the HOME funds to the Project must meet the requirements of 'commitment to a specific local project' in the definition of 'commitment' in §24 CFR 92.2".

Thus, while as to the Anaheim Loan (if to be sourced from HOME Program funds), this Preliminary Award Letter is not, and shall not be construed as a "commitment" of HOME Program federal funds as defined under the HOME Program, Anaheim intends that this Preliminary Award Letter evidence the Authority's *preliminary award* of the Anaheim Loan, expressly subject to the conditions set forth in this Preliminary Award Letter.

**JHCA’s Project Proforma**

The Anaheim Assistance has been evaluated and determined and this Preliminary Award Letter is provided in material reliance and based on Anaheim's review of the Developer's application for the Anaheim Assistance and its development proforma and projected cash flows for the Project assuming the approval of AHSC and 4% Tax Credit applications submitted by JHCA to Anaheim and dated as of December 14, 2018.
Anaheim Loan Terms

The Anaheim Loan (whether documented as one or two loans evidenced by one or two promissory notes) will have the following terms, and shall be more fully described and defined in the Agreement:

- Loan by Anaheim will be in the approximate amounts of the City Amount and the Authority Amount, respectively, based on Anaheim’s review and evaluation of the gap financing needed to support the feasibility of the Project and moneys available to Anaheim for this purpose and any increased amount expressly subject to approval by the Authority Board, or as much thereof as is disbursed for the hard and soft costs of constructing the Project;
- Disbursement procedures for release of the loan proceeds;
- Principal amount shall bear three and No/100ths percent (3%) simple interest per annum;
- Second lien position (and, if documented as two loans, third lien position) subordinate only to the Developer’s construction loan and/or permanent loan for the Project, as applicable (collectively, the “Primary Loan”). The Primary Loan may be provided under the Affordable Housing Sustainable Communities Program (AHSC);
- Repayment of the Anaheim Loan shall be from eighty-five percent (85%) of Residual Receipts (subject to and after payment of operating expenses, debt service, deferred developer fee, if any, and partnership related fees to be defined and described in the Agreement);
- Remaining principal and accrued interest shall be due in full upon the 55th anniversary of the Closing or earlier upon sale, non-permitted refinancing or default;
- If the Anaheim Loan is repaid in full before the termination of the term of the Ground Lease, rent under the Ground Lease shall be paid to the Authority in the amount of eighty-five percent (85%) of Residual Receipts, based on the same calculation as payments on the Anaheim Loan;
- Construction of the Project must be competitively bid in accordance with applicable federal, state and local laws and regulations, in particular the HUD requirements;
- This a federally-funded Project and is therefore subject to all federal and state labor laws, including without limitation federal Davis Bacon and related prevailing wage, labor, contracting and contractor requirements. Additionally, the Project is also a “public works project” and is subject to all state and local laws and regulations for public works, including without limitation California Labor Code Section 1720, et seq.
• Cost savings from the Project, if any, will be applied to pay down the principal first then accrued interest of the Anaheim Loan, subject to compliance with the AHSC and TCAC Regulations.

Conditions to the Anaheim Assistance

Anaheim’s obligations to provide the Anaheim Assistance to JHCA for the Project are subject to each and all of the following conditions:

1. Approval by the City and the Executive Director, or as it/he/she elects by the City Council and the Authority Board, of the Agreement to be entered into by and between or among the Authority, the City and JHCA (or a limited partnership development entity, of which JHCA or an affiliate of JHCA is the managing general partner) that more specifically describes and authorizes the terms of and disbursement of proceeds and conditions for each and all aspects of the Anaheim Assistance, including without limitation the construction, completion, operation, financing, refinancing, transfer, management and maintenance of the Project.

2. The JHCA entity that is the “developer” party under the Agreement with Anaheim shall be certified by the City as a qualified Community Housing Development Organization (“CHDO”) for development and sponsorship of the Project in compliance with the HOME Program and Final Rule, and a certified CHDO entity shall develop, own and operate the Project under the Ground Lease for the twenty (20)-year term required by the HOME Program.

3. The unit and affordability mix of the Project shall be not less than the following:
   (a) one (1) on-site property manager’s unit that will not be required to be rent-restricted, (b) twenty (10) one-bedroom units to be available at affordable rent to households with annual gross income at or below thirty percent (30%) of Orange County area median income (“AMI”); (c) fifteen (20) one bedroom units to be available at affordable rent to households with annual gross income at or below fifty percent (50%) of Orange County AMI; (d) thirteen (18) one bedroom units to be available at affordable rent to households with annual gross income at or below sixty percent (60%) of Orange County AMI; (e) three (13) two bedroom units to be available at affordable rent to households with annual gross income at or below fifty percent (50%) of Orange County AMI; (f) twelve (7) two bedroom units to be available at affordable rent to households with annual gross income at or below fifty percent (50%) of Orange County AMI; (g) December (20) three bedroom units to be available at affordable rent to households with annual gross income at or below sixty percent (60%) of Orange County AMI; (h) thirteen (13) three bedroom units to be available at affordable rent to households with annual gross income at or below sixty percent (60%) of Orange County AMI; and (j) ten (10) three bedroom units to be available at affordable rent to households with annual gross income at or below sixty percent (60%) of Orange County AMI.
County AMI. Affordable rent shall be as defined by Sections 50052.5 and 50053 of the California Health and Safety Code.

a. Twenty (20) of the Projects units will be set aside for homeless households.

b. A unit matrix of all units in the Project size of one hundred two (102) units is attached hereto and fully incorporated by this reference as Exhibit A.

c. One Hundred One (101) of the one hundred two (102) housing units shall be covenanted as designated HOME Program units with affordable rent charged to the tenant household. No less than 21 units must be restricted at the low HOME rent and 80 units at the high HOME rent under the HOME Program. Further, all housing units at the Project, except for the HOME units which shall be subject to a twenty (20) year restriction, shall be restricted as set forth herein and in the Agreement for a minimum of fifty-five (55) years pursuant to a regulatory agreement with conditions, covenants and restrictions restricting the Developer’s and successors’ use, ownership, operation, management, maintenance, transfer and financing of the Project, and such fifty-five (55)-year regulatory agreement shall be recorded against the Project and Combined Site in the Official Records, County of Orange, California.

4. No units within the Project shall be restricted on the basis of age.

5. Execution of the Agreement shall be in a form to be reviewed and approved by Anaheim’s City Attorney or special counsel.

6. The HOME Program funds for the Anaheim Loan will be transferred by the City to the Authority pursuant to a cooperation agreement to be considered and action taken by and between the City and Authority pursuant to the HOME Program.

7. If HOME Program moneys are used to make any portion of the Anaheim Loan, JHCA shall comply with the HOME Program and applicable federal regulations set forth in 24 CFR Part 92 (as amended by the 2013 HOME Final Rule) and 24 CFR Part 983.

8. If Housing Asset Funds are used to make the Anaheim Loan, JHCA shall comply with all applicable requirements of the California Community Redevelopment Law, Health and Safety Code Section 33000, et seq., and the Dissolution Act, Health and Safety Code Section 34170, et seq., in particular Sections 34176 and 34176.1.

9. JHCA shall comply with the HAL and any and all other applicable federal, state and local laws and regulations.

10. JHCA shall comply with and complete environmental review of the Project pursuant to all applicable federal and state laws and regulations, including the California Environmental Quality Act (“CEQA”) and the National Environmental Protection Act (“NEPA”) and approval thereof, as applicable.
11. Receipt of Subsidy Layering Review approval from TCAC. (Pursuant to July 2010 HUD Notice, TCAC may, and is now, performing Subsidy Layering Review for and on behalf of HUD.)

12. Determination of the HUD “fair market rent” for purposes of implementing the PBVs for the Project will be based and contingent upon approval of an independent appraisal.

13. The Agreement will require that the Developer will not charge more than an Affordable Rent (at the levels prescribed therein) for all Housing Units at the Project; thus, the total per-unit subsidy the Developer will receive under the Section 8 program or other tenant-based or project-based rental assistance program will be limited to the difference between the Affordable Rent for the Housing Unit under the Agreement and thirty percent (30%) of the tenant’s monthly income. The Agreement will provide the Executive Director with authority to waive or modify this requirement in his/her sole and absolute discretion.

14. If HOME Program funds are used to provide the Anaheim Assistance, for the twenty (20)-year term required by the HOME Program or CHDO-sponsored projects, all housing units at the Project must pass HOME Program construction, occupancy, and physical condition requirements as well as federal Housing Quality Standards annual inspections, (and other standards, as applicable) at the completion of construction and thereafter, as required by HOME Program regulations as amended by the 2013 HOME Final Rule, and meet federal program limitations and other applicable federal, state and local laws and regulations as to be set forth in the Agreement.

15. In connection with the development of the Project and subject to compliance with the TCAC Regulations, the Developer will be entitled to a developer fee in the amount not to exceed Two Million Two Hundred Thousand and No/100ths Dollars ($2,200,000.00); receipt of a portion of the developer fee will be deferred.

16. As and if applicable, the Developer will comply with the federal Davis-Bacon Act and California Labor Code Section 1720, et seq., relating to prevailing wages (“Prevailing Wage Laws”); in this regard, the Authority and the Developer understand that such laws and regulations include exemptions that may apply to the Project, but under the Agreement the Developer will assume responsibility for and indemnify the Authority (and the City) relating to the Prevailing Wage Laws as such may be applicable to the Project.

17. The Anaheim Loan proceeds will be disbursed at such time as all funding sources are committed and available for disbursement, and subject to such terms and conditions precedent as are customary for disposition and development agreements entered into by the Authority.
18. The Agreement shall provide that the Closing and each of the following conditions precedent shall be met prior to the disbursement of any portion of the Development Loan:

a. All grading permits shall have been issued, or be ready to issue, and the City shall have issued a letter stating that building permits are ready to issue, subject only to the completion of grading of the Site for the Project.

b. The Developer shall have secured all necessary institutional financing and funding for the Primary Loan to undertake and complete construction and thereafter operation of the Project. Such financing and funding shall be sufficient to pay all development costs of the Project, through lease-up, as set forth in a final budget (to be defined in the Agreement) and consistent with the approved proforma (or as otherwise approved by Anaheim).

c. The Developer shall have provided evidence to Anaheim that the Developer has obtained insurance policies, certificates, and additional insured or other endorsements therefor acceptable to Anaheim, as described in the Agreement.

d. The Developer shall have provided construction security in favor of Anaheim, which may include a completion guarantee from JHCA and/or a letter of credit, and/or payment and performance bonds from the general contractor and subcontractors for the Project (or some combination of any or all of the above), in an amount sufficient to ensure the Project will be completed, all invoices paid, and all workers paid in conformity with applicable federal and state labor laws, and otherwise in compliance with applicable federal and state laws, and placed in service within the time set forth in the schedule for the Project as approved by Anaheim.

e. The Developer shall submit and obtain approval of the Authority for (i) the construction contract with its general contractor and the subcontracts therefor, (ii) the limited partnership agreement for the limited partnership entity to be formed to own and operate the Project under the Ground Lease, (iii) management, scope and funding for all required supportive services, and (iv) the marketing and tenant selection plans for the Project.

19. The Agreement shall provide that each of the following conditions precedent shall be met prior to the release of the PBVs:

a. A final certificate of occupancy for completion of the Project shall have been issued by the City’s building official.

b. The final HAP contract has been duly entered into between the Authority and the Developer pursuant to the Section 8 Laws and all other applicable federal, state and local laws and regulations.

c. The Developer shall have maintained and have on file with Anaheim up-to-date insurance policies and certificates or endorsements therefor acceptable to Anaheim, as described in the Agreement.
d. The Developer shall have prepared, and the Authority shall have approved, a detailed Social and Supportive Services Plan ("Social Services Plan"), which shall describe the social and supportive services to be provided at the Project, and a detailed budget for the social and supportive services described in the Social Services Plan. The Social Services Plan shall further describe the goals and objectives of the social and supportive services to be provided at the Project. The approved Social Services Plan shall be made a part of the HAP contract and contingent on final HAP approval for the PBVs. The Social Services Plan shall include a robust level of social services offered at the Project and suitable for the residents’ needs and provided by professionally trained staff. Services must include an assessment of clients’ needs, link to services and verification of services obtained. The Social Services Plan must also provide clear outcome measurements related to services provided and must clearly identify if services will be provided by the Developer or by third party entity(ies). For services to be provided by the Developer, the Social Services Plan shall clearly identify the budget and resources available for the services. For services to be provided by third party entity(ies), the Social Services Plan must include copies of the agreements or memoranda of understanding that govern provision of the services.

20. Anaheim’s preliminary award of the Anaheim Assistance is and shall remain subject to all covenants, conditions, and restrictions set forth in the Agreement, and in particular Anaheim’s analysis of all the available funding sources and development and operating costs of the Project and the overall economic feasibility of the Project, including without limitation all funding sources and terms therefor including the supportable debt (construction and permanent financing), market value of Tax Credits and tax credit investor equity, deferred developer fee, if any, and other subordinate debt, if any.

21. By consideration and action to approve this Preliminary Award Letter, Anaheim hereby authorizes the Executive Director to sign this Preliminary Award Letter on behalf of Anaheim (both the City and the Authority). Further the Executive Director is authorized to cause to be prepared and executed the Agreement, including the AHAP and HAP contracts for the PBVs, in implementation of this Preliminary Award Letter so long as the terms and provisions of the Agreement and each and all implementing agreements and instruments therefor are substantially consistent, financially and legally, with this Preliminary Award Letter.

a. Further, the Executive Director (or his/her duly authorized representative) is authorized to implement the Agreement and take all further actions and execute all documents referenced therein and/or necessary and appropriate to carry out the transaction contemplated by this Preliminary Award Letter, and thereafter the Agreement including all exhibits, instruments and implementing agreements thereto. To the extent necessary during the implementation hereof and thereof, the Executive Director is authorized to make technical or minor changes and interpretations of this Preliminary
Award Letter and the Agreement, as necessary to properly implement and carry out the Project provided any and all such changes shall not in any manner substantially affect Anaheim’s rights and obligations under this Preliminary Award Letter and the Agreement.

b. In addition, the Executive Director is authorized, on behalf of both the City and the Authority, to sign all other documents necessary or appropriate to carry out and implement this Preliminary Award Letter, the Agreement and the Project, including all exhibits thereto and including causing the issuance of warrants in implementation thereto, and to administer Anaheim’s obligations, responsibilities and duties to be performed thereunder so long as substantially consistent with this Preliminary Award Letter and the Agreement. Any and all substantial changes to this Preliminary Award Letter or to the terms and provisions of the Agreement and implementing agreements and instruments thereto shall require the consideration and action of the City Council and/or the Authority Board, as applicable.

In addition to the foregoing, notwithstanding any statement set forth in this Preliminary Award Letter or provisions of the Agreement, when negotiated between or among the parties, the Developer, the City and the Authority agree and acknowledge that the Agreement will not constitute a commitment of federal funds, and that such commitment of funds may occur only upon satisfactory completion of environmental review and receipt by the Authority and/or the City, as applicable, of a release of funds from and by HUD under 24 CFR Part 58. The Developer and Anaheim will further agree in the Agreement that the provision of any federal funds to the Project is and shall be conditioned on Anaheim’s determination to proceed with, modify or cancel the Anaheim Assistance based on the results of a subsequent NEPA environmental review and the outcome of the Subsidy Layering Review.

The Developer and Anaheim are further prohibited from undertaking or committing any federal funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance; the Developer and Anaheim understand that the violation of this provision may result in the denial of any federal funds hereunder and under the Agreement.

[Preliminary Award Letter and signature blocks continued on next page]
Should you have any questions or require additional information, please contact Grace Stepter, Deputy Director, at (714) 765-4315 or by email at gstepter@anaheim.net.

Sincerely,

City of Anaheim and Anaheim Housing Authority
By: John E. Woodhead, IV, Executive Director

AGREED AND ACCEPTED
this ___th day of ______, 2019:

JHC-ACQUISITIONS, LLC, a California nonprofit public benefit corporation

By: Laura Archuleta
EXHIBIT A

JHCA PROJECT
AFFORDABLE HOUSING UNITS
MATRIX OF UNIT-MIX BY INCOME AND BEDROOM SIZE

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*Manager’s Unit
LOCATION MAP

2121 South Manchester Avenue and 915 East Orangewood Avenue