HOUSING AUTHORITY AGENDA REPORT

City of Anaheim
HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT

DATE: **APRIL 22, 2025**

FROM: **HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT**

SUBJECT: **A RESOLUTION OF THE ANAHEIM HOUSING AUTHORITY AUTHORIZING THE ISSUANCE OF ITS MULTIFAMILY HOUSING REVENUE BONDS FOR THE TAMPICO MOTEL CONVERSION**

ATTACHMENT (Y/N): YES **ITEM # 02-B**

GOVERNMENT CODE § 84308 APPLIES: NO

RECOMMENDATION:

That the Governing Board of the Anaheim Housing Authority, by Resolution, authorize the execution and delivery of its Multifamily Housing Revenue Note in one or more series, in a cumulative and aggregate principal amount not to exceed $13,105,723, for the purpose of financing the acquisition and rehabilitation of the Tampico Motel Conversion Rental Housing Project, located at 151 Cenpla Way (formerly 120 South State College Boulevard); approving and authorizing the execution and delivery of any and all documents necessary to execute and deliver the Note, substantially in the form approved hereby, complete the transaction and implement this resolution, and ratifying and approving any action heretofore taken in connection with the Bonds.

DISCUSSION:

On August 13, 2024, the Governing Board of the Anaheim Housing Authority (Authority) approved a Preliminary Funding Award Letter with Center Housing Partners, LP, a California limited partnership, which is comprised of Jamboree Housing Corporation (Developer) that outlines the financial assistance structure proposed for the conversion of the former Tampico Motel site located at 151 South Cenpla Way (formerly 120 South State College Boulevard). The funding plan includes the use of the 4% Low-Income Housing Tax Credit program and Tax-Exempt bonds. The California Tax Credit Allocation Committee (CTCAC) administers the allocation of tax credits, while the California Debt Limit Allocation Committee (CDLAC) oversees the distribution of the private activity bond volume cap. Allocations are awarded through a competitive process.

On December 11, 2024, the Developer received a Tax Credit award from CTCAC and approval to issue bonds from CDLAC. In order to move the development forward, staff is requesting approval of the Resolution authorizing the Tax-Exempt bond issuance in accordance with Section 147(f) of the Internal Revenue Code. The Tax-Exempt bond issuance will not exceed an amount of $13,105,723. In addition to the Tax-Exempt

201 S. Anaheim Blvd.
Suite #1003
Anaheim, CA 92805
Tel: (714) 765-4300
Fax: (714) 765-4630
www.anaheim.net

Bonds, the Developer is requesting approval for the issuance of Taxable Bonds in an amount not to exceed $3,000,000 to be used only if the Project experiences any cost overruns during construction for project costs which may not be financed with Tax-Exempt bond proceeds. If issued, the taxable bonds will only be outstanding during construction of the project. The Taxable Bonds will be subject to the same parameters as the Tax-Exempt bonds, except that a public hearing is not required.

The Tax-Exempt and Taxable Bonds will be repaid from project revenues; accordingly, there is no risk of default to the City or Housing Authority. The Authority will receive a fee equal to 1/8 of 1% of the bond amount at the time of issuance, and on an annual basis thereafter, to monitor the affordable units.

Affordable housing developments often rely on multiple funding sources. Tax credits and bond financing are among the most commonly used forms of assistance. Due to high demand, developers must go through a competitive process to access these resources. Below is an overview of how taxable/tax-exempt bonds and low-income housing tax credits are utilized in a project:

- Taxable and Tax-Exempt Bonds:

  A City can issue bonds to help finance affordable housing development projects. These bonds are sold to investors to generate funds for development. The price of the bonds can vary depending on the market demand. The interest paid on these bonds is exempt from federal and state income taxes.

  A City can also issue Taxable Bonds, which are sold in a similar manner. However, the interest on taxable bonds is included in the gross income of the Loan Note for federal income tax purposes.

- 4% Low-Income Housing Tax Credits:

  Tax credits are issued by the State to developers, who then sell them to investors in a process similar to bond sales. The pricing is also dependent on market demand. Investors receive a tax credit, which can be used to offset their tax liability, making the investment more attractive.

The lower interest rates and tax credits make it more financially viable to build or renovate affordable housing, as it reduces the overall cost of financing the project.

PROJECT DESCRIPTION

The Tampico Motel conversion consists of 31 rental studio units, and one 1-bedroom manager's unit (Project). The Project will be 100% affordable, serving individuals earning 30% or less of the area median income. The population to be served at the location are young adults, ages 18 to 24, who are exiting the foster care system or are experiencing, or at risk of experiencing, homelessness.

In all affordable developments, the Authority requires high-quality management and appropriate support services. For this project, the Orangewood Foundation will serve as the primary service provider. The Orangewood Foundation is uniquely qualified for this role, recognized as one of the leading providers of youth services in Orange County.

The total development cost for the Project is approximately $25,912,150. While most of the funding needed to complete the Project is projected to come from federal tax credits and bond financing, assistance was also needed from the Authority to close the remaining financial gap. To address this gap, the Authority approved a combined loan and grant of up to $6,900,000 on August 13, 2024. The Authority also approved thirty-one (31) Section 8 Project-Based Vouchers (PBV) for the project. The Authority will enter into a 55-year ground lease with Jamboree, valued at approximately $5,120,000. This lease arrangement will allow the Authority to recoup the land acquisition costs and approximately $327,255 in site preparation costs over the lease term. The City is supporting the project by waiving the Transportation Impact Fee in the approximate amount of $41,504. The ground lease, Authority loan, site preparation costs, and Transportation Impact Fee waiver will be repaid back to the Authority from 85% of the project's available cash flow.

This action by the Governing Board of the Anaheim Housing Authority authorizes the Authority to proceed and issue up to $13,105,723 in Tax-Exempt Multifamily Housing Revenue Bonds and up to $3,000,000 in Taxable Bonds and loan the proceeds of the Bonds to the Developer to finance the Tampico Motel conversion. The Tax-Exempt Bonds will be "privately-placed", with a commitment from RBC Community Investments, LLC to purchase the Bonds.

The project financing, including the issuance of bonds, is expected to close by the end of May. Once finalized, construction of the project is anticipated to begin in mid-June 2025.

This project is in line with City's Strategic Plan Goal B Enhance Livability, Strategy 2 - Develop strategies to stabilize and expand affordable, workforce, and home ownership housing options for low-income residents.

IMPACT ON BUDGET:

There is no budgetary impact. The bonds will be paid from project revenues.

Respectfully submitted,

Grace Ruiz-Stepter
Executive Director of
Anaheim Housing Authority

Attachments:

1. Resolution
2. Regulatory Agreement
3. Borrower Loan Agreement
4. Funding Loan Agreement