



STAFF REPORT

11/13/2025

AGENDA ITEM

**TO: HONORABLE MAYOR
AND MEMBERS OF THE CITY COUNCIL**

**HONORABLE CHAIR
AND MEMBERS OF THE HOUSING AUTHORITY**

**FROM: CARLO TOMAINO
CITY MANAGER**

**BY: ALFA LOPEZ
ASSISTANT TO THE CITY MANAGER/
ECONOMIC DEVELOPMENT MANAGER**

**SUBJECT: PROPOSED AMENDMENT TO THE EXCLUSIVE NEGOTIATION AGREEMENT
WITH NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA (NATIONAL
CORE)**

Summary:

Staff has negotiated and is presenting revised terms of an Exclusive Negotiation Agreement (ENA) by and between the City, Housing Authority, and National Community Renaissance of California, a California nonprofit public benefit corporation (National CORE). The Orange Bluff ENA expires on November 15, 2025, and supports efforts to develop the Orange Bluff Affordable Housing Projects. The ENA for the Walnut Bluff Project has been satisfied. The Walnut Bluff project is located on a two-acre property at the northwest corner of East Willow Street and Walnut Avenue, consisting of approximately 83 affordable homes for individuals and families earning below 80% of the area median income (AMI). The Orange Bluff Project is located on an 8.6-acre property on the south side of East 28th Street, between Orange Avenue and Gundry Avenue, and consists of approximately 297 affordable homes.

Since the original ENA was negotiated, National CORE has experienced significant impacts from a changing financial environment due to changing funding priorities at the State level. In response, National CORE is pursuing funding through the Affordable Housing and Sustainable Communities (AHSC) program, funded by the Greenhouse Gas Reduction Fund. The AHSC program prioritizes larger, denser projects that promote greenhouse gas reductions through sustainable design, location efficiency, and transit connectivity. To strengthen its competitiveness for AHSC funding, National CORE is now evaluating a scattered-sites approach, which could include both the Orange Bluff and Walnut Bluff sites and a third alternative public or privately owned site.

Staff recommends the City Council and Housing Authority Board approve the proposed ENA between the City of Signal Hill, the Signal Hill Housing Authority, and National CORE substantially in the form presented, for the development of the Orange Bluff Workforce Housing project and the 28th & Walnut or Alternative Site. Staff further recommends extending the ENA deadline to September 15, 2027 for the Orange Bluff Project and July 15, 2026 for the 28th & Walnut or Alternative Site. In addition, staff has identified a need to amend the ENA to include language that allows for the identification and consideration of an alternative site, either publicly or privately owned, should the originally proposed site not be available or feasible for development.

Strategic Plan Goal(s):

Goal No. 1 Financial Stability: Ensure the City's long-term financial stability and resilience.

Goal No. 3 Economic Development: Improve the local economy, support local businesses, and create a vibrant downtown core.

Goal No. 4 Infrastructure: Maintain and improve the City's physical infrastructure, water system, and recreational spaces.

Recommendation(s):

Staff recommends the City Council and Housing Authority Board approve the proposed amendments to the Exclusive Negotiation Agreement (ENA) between the City of Signal Hill, the Signal Hill Housing Authority, and National Community Renaissance (National CORE) substantially in the form presented for the development of two proposed workforce housing projects known as Orange Bluff and an alternative potential site as follows:

1. Approve the revised ENA between the City of Signal Hill, the Signal Hill Housing Authority, and National CORE, extending the ENA deadlines to September 15, 2027 for the Orange Bluff Project and July 15, 2026 for 28th & Walnut or Alternative Site.
2. Authorize the City Manager to effectuate all documents related to this action.

Fiscal Impact:

There is no fiscal impact associated with amending the Exclusive Negotiation Agreement with National CORE.

Background:

The City's Certified Housing Element identifies two sites owned by Signal Hill Petroleum (SHP) for future development of workforce housing. Orange Bluff is an 8.6-acre property located on the south side of East 28th Street between Orange Avenue and Gundry Avenue. Walnut Bluff is a 2-acre property located at the northwest corner of East Willow Street and Walnut Avenue. The City Council entitled both sites to accommodate 85 units of workforce housing on Walnut Bluff and 297 units on Orange Bluff. Developing these sites helps the City provide new affordable housing opportunities and meet its Regional Housing Needs Assessment (RHNA) allocation for the current Housing Element

cycle, totaling 517 units.

The City Council and Housing Authority Board approved the selection of National CORE through a Notice of Funding Availability. In April 2024, the City Council authorized the City Manager to execute an ENA with National CORE. The ENA committed available and future City and Housing Authority funding and set performance milestones aligned with the City's desired development timeline. Both workforce housing sites contain active and abandoned oil wells. As both the property owner and development partner, Signal Hill Petroleum has provided technical expertise throughout this process.

During site evaluations, National CORE and SHP determined the Orange Bluff property presents significantly more complex and costly remediation challenges than initially anticipated. As a result, National CORE requires additional time to complete its due diligence and assess the financial feasibility of the Orange Bluff site as an income-restricted residential project. Due to the expected delays with the Orange Bluff project, the City Manager, under his authority, revised the ENA, separating it into two schedules to allow both projects to move forward. The ENA outlines a specific timeframe for National CORE to meet its performance requirements. National CORE has made significant progress in its due diligence for the Walnut Bluff site and negotiated site control with Signal Hill Petroleum, recently executing a Letter of Intent for site acquisition.

The City Council and Housing Authority subsequently approved an Affordable Housing Agreement with National CORE for the development of the Walnut Bluff property. The Walnut Bluff Workforce Housing Project, including the acquisition, development, and remediation costs, totals \$51,515,329. The City's loan, in the amount of \$6,550,000, funds the financing gap for this project. National CORE has continued implementing the performance schedule outlined in the Affordable Housing Agreement and is securing additional sources of funding that comprise the capital stack for this project.

Analysis:

Since executing the ENA, there have been challenges associated with the two project sites outside the control of the City, National CORE, and SHP. First, due to the State budget's multibillion-dollar operating deficit, the State Legislature and Governor temporarily suspended funding for programs such as the Infill Infrastructure Grant (IIG) and other affordable housing initiatives. National CORE identified the IIG program, in particular, as a possible source of funding for infrastructure improvements; National CORE continues advocating for the reinstatement of these funds. As further discussed below, the State has also reprioritized the use existing affordable housing funding for permanent supportive housing. The current funding landscape means that there is a significantly diminished pool of State money available for affordable housing developers which makes funding applications much more competitive.

Walnut Bluff Workforce Housing Project

National CORE successfully negotiated with SHP to acquire the property; the two parties are now finalizing the terms and conditions of a Purchase and Sale Agreement. In order to make the project financing feasible for this site, SHP discounted the value of the property by 50%, which enabled the two parties to advance negotiations. National CORE also made significant progress designing the site layout, which is comprised of 86 units, and a Boys and Girls Club. The total cost of the project, including acquisition, development, and remediation, is \$51,515,329. The City Council previously authorized a loan totaling \$6,550,000 to close the financing gap.



National CORE also completed its site analysis, which included further study of environmental conditions due to a recent change in State law regarding oil operations and health protection zones. National CORE and SHP prepared a supplemental Human Health Risk Assessment (HHRA) to determine that the Walnut Bluff site is suitable for residential development. SHP and National CORE were very diligent in ensuring the oil activity with proximity to the proposed Walnut Bluff development would not create health risks for future residents. The HHRA concluded that the proximity to previous and current oil operations does not pose a health risk to future residents. Staff has attached the HHRA for the City Council's information (Attachment A).

Orange Bluff Workforce Housing Project

The Orange Bluff property is approximately 8.6 acres, which is generally much larger than the average affordable housing site which is typically two to three acres. The property's size makes site acquisition and development much more costly, even at a discounted price, for an affordable housing developer. The Orange Bluff property also contains oil wells and requires soil remediation, which will add to its development cost. In summary, while the Orange Bluff site can be developed as a future housing site, developing the entire property as an affordable housing site is cost prohibitive and the property is better suited as a potential market rate development with two acres set aside for an affordable multifamily project. This potential change would increase the opportunities to develop the property by relying more on private equity investment than on competitive and limited State funding opportunities. National CORE and SHP would jointly pursue market rate development partners for this property and report back to the City Council.

Affordable Housing and Sustainable Communities Program

As noted previously, one of the most significant challenges to developing the two workforce housing sites is that the State of California has substantially reduced funding availability for affordable housing projects. In other instances, the State has reprioritized its available affordable housing funding for permanent supportive housing projects that supports that State's initiatives to reduce homeless population. National CORE identified an alternative source of funding called the AHSC program, that could potentially fill the funding gap left by the Infill Infrastructure Grant program.

The AHSC Program links the development of affordable housing with investments in sustainable transportation infrastructure to address climate change and housing affordability simultaneously. Funded by California's Cap-and-Trade program through California Climate Investments, the AHSC program is administered jointly by the Strategic Growth Council and the Department of Housing and Community Development. The goal of the AHSC program is to reduce greenhouse gas emissions by decreasing vehicle miles traveled, also known as VMT, by integrating communities within proximity to jobs and essential services. AHSC also provides grants and loans for affordable housing, the development of new bike lanes, sidewalks, transit stops, and urban greening efforts.

Since 2015, the AHSC program has invested more than \$4 billion, funding over 200 projects statewide. This investment has resulted in the creation of over 20,000 new affordable homes and is projected to avoid an estimated 5.7 million metric tons of GHG emissions. Over half of these investments have directly benefited disadvantaged communities, promoted environmental equity and provided significant financial relief to households through reduced transportation and housing costs. The program requires collaboration between housing developers, local governments, and transit agencies, representing a comprehensive, multi-sector approach to building healthier, more sustainable, and equitable communities across California.

Proposed Approach using AHSC Funding

To advance development of the City's workforce housing projects, National CORE proposes leveraging the AHSC funding source and applying for funding based on the scattered site model. As noted, the Orange Bluff site requires a significantly higher capital investment compared to available State funding; therefore, the Orange Bluff site is not likely suitable as part of the AHSC funding application. The proposed approach would require National CORE to apply for funding for the Walnut Bluff property and an alternative site discussed below, both of which National CORE believes are financially feasible based on current funding availability and market conditions.

Potential Alternative Sites:

As discussed above, there have been challenges associated with the availability of State funding for workforce housing projects. The primary purpose of the proposed item this evening is to recommend extending the ENA to allow National CORE time to pursue alternative approaches to fulfilling its obligations to the City. As a precursor to this discussion, National CORE identified one alternative site for discussion purposes that could be a potential replacement for the Orange Bluff property in the near-term and is committed to exploring additional properties. The following section of this report briefly summarizes a potential candidate site and other options; staff is not requesting that the City Council take final action related to the properties below.

28th Street and Walnut Avenue Property

The 28th & Walnut site is located on a 1.3-acre property at the southwest corner of East 28th Street and Walnut Avenue in Signal Hill. The project site could support a single 3 to 4-story residential building with approximately 60 units and a leasing and property management office, a 1,000 square foot community room, and a private office for support services. A surface parking lot could potentially accommodate approximately 64 stalls. The potential project site could include a total of 60 affordable apartment homes for individuals and families earning below 80% of the AMI with a mix of one, two, and three-bedroom units. One (1) three-bedroom unit will be reserved for an onsite property manager. Onsite amenities will include a children's playground, shaded BBQ, outdoor lounge and dining areas, and multiuse lawn. The Hope through Housing Foundation would also offer onsite programs and services, providing residents with the resources and support they need to thrive.

Alternative Sites:

National CORE is requesting time to conduct additional due diligence and would be required to submit entitlement applications to request a zone change if required, for an alternative site. \Staff has included the 28th and Walnut property in the proposed updated ENA as an option for the City Council's consideration. However, there may be additional privately owned sites that could be suitable for development, potentially in conjunction with a market-rate development. Staff will work with National CORE to identify additional potential sites for feasibility and will return to the City Council with an amendment to the ENA for another possible site once it has been identified. Staff's review will consider currently available public and privately owned properties as possible options for this alternative site.

Amendments to the Exclusive Negotiation Agreement

The proposed revised ENA includes several key updates to ensure that the City, Housing Authority, and National CORE can continue moving forward with the development of the Walnut Bluff and Orange Bluff affordable housing projects despite changes in the broader financial environment (Attachment B). The revisions are intended to preserve the City's ability to facilitate meaningful affordable housing opportunities and to maintain flexibility as project conditions evolve.

The most significant change is the addition of language providing flexibility for National CORE to explore the option of developing a third site along with the Orange Bluff Project. This modification allows the City and National CORE to identify and consider other publicly or privately owned properties should the originally proposed site become unavailable or infeasible for development. The inclusion of this provision ensures the ENA remains viable and adaptable, allowing the City and National CORE to respond to changing site conditions and funding opportunities.

In addition, the ENA revisions acknowledge the shifts in the affordable housing financing landscape that have affected National CORE's ability to secure certain previously anticipated funding sources. These external changes reflect the broader economic and funding challenges currently impacting affordable housing development throughout the region. The updated ENA accommodates these challenges by providing flexibility in the project's timeline and negotiation period, allowing additional time for funding applications, feasibility analysis, and site evaluation.

The ENA has also been updated to reflect National CORE's pursuit of funding through the State's AHSC program. This program, supported by the Greenhouse Gas Reduction Fund, favors larger,

denser projects that promote sustainability and greenhouse gas reduction through transit access, active transportation, and energy efficiency. The revised ENA supports National CORE's exploration of a scattered-sites approach, which could enhance the competitiveness of the Orange Bluff Project for AHSC funding and align with state sustainability goals.

Overall, the proposed updates to the ENA strengthen the City's partnership with National CORE, provide the flexibility needed to adapt to evolving financial and site conditions, and reaffirm the City's ongoing commitment to expanding affordable housing opportunities within the community.

Recommendation

Staff recommends that the City Council and the City of Signal Hill Housing Authority amend the Exclusive Negotiation Agreement with National CORE to accommodate the proposed inclusion of language to allow for the consideration of potential alternative sites and extend the development timeframes for the Orange Bluff project.

The recommended action would extend the ENA deadlines to September 15, 2027 for the Orange Bluff Project and July 15, 2026 for the 28th & Walnut or Alternative Site project, adding a potential third workforce housing site to the schedule and result in the potential of an additional sixty (60) units of housing. These additional units would provide much-needed housing opportunities for local residents and families, supporting the community's goal of increasing access to safe, affordable workforce housing.

Reviewed for Fiscal Impact:

Siamlu Cox
Administrative Services Officer/Finance Director

Attachments:

- A. Human Health Risk Assessment: Walnut Bluff Development
- B. National CORE Exclusive Negotiation Agreement (ENA)
- C. Revised ENA