



STAFF REPORT

2/25/2025

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: ADOPT RESOLUTIONS AUTHORIZING THE EXECUTION OF AN AFFORDABLE HOUSING AGREEMENT AND LOAN AGREEMENT (AHA) WITH NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA (NATIONAL CORE) FOR THE WALNUT BLUFF WORKFORCE HOUSING PROJECT, AUTHORIZING THE CITY MANAGER TO EXECUTE ALL TRANSACTIONAL DOCUMENTS REQUIRED TO COMPLETE THE AGREEMENT AND APPROPRIATING \$6,550,000 THEREFORE

Summary:

Staff negotiated and is bringing forth the terms of an Affordable Housing and Loan Agreement (AHA) by and between the City, Housing Authority, and National Community Renaissance of California, a California nonprofit public benefit corporation (National CORE). The AHA supports efforts to build the Walnut Bluff Affordable Housing Project, 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).

As noted, the City and the Housing Authority collectively have access to multiple sources of funding (totaling approximately \$10 million) that can only be utilized for the development of affordable housing. Based on the proforma prepared by National CORE, the City and Housing Authority's recommended loan for the Walnut Bluff Affordable Housing Project is approximately \$6.55 million. Execution of the proposed Affordable Housing Agreement and Loan Agreement (AHA) supports multiple strategic goals, including creating more affordable housing opportunities.

Staff recommends the City Council and Housing Authority Board adopt the Resolution approving the AHA between the City of Signal Hill, the Signal Hill Housing Authority, and National CORE

substantially in the form presented for the development of the Walnut Bluff Workforce Housing project and appropriating funds therefore.

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, waste system, and recreational spaces.

Recommendations:

1. City Council adopt a resolution, entitled:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SIGNAL HILL, CALIFORNIA, AUTHORIZING THE EXECUTION OF AN AFFORDABLE HOUSING AGREEMENT AND LOAN AGREEMENT (AHA) WITH NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA (NATIONAL CORE) FOR THE WALNUT BLUFF WORKFORCE HOUSING PROJECT, AUTHORIZING THE CITY MANAGER TO EXECUTE ALL TRANSACTIONAL DOCUMENTS REQUIRED TO COMPLETE THE AGREEMENT AND APPROPRIATING \$6,550,000 THEREFORE

2. City Council approve the Appropriations from the various funding sources not-to-exceed \$1,550,000 as follows:

- a. Affordable Housing In-Lieu Fees: \$745,419
- b. Deferral of Impact Fees: \$500,000
- c. Permanent Local Housing Allocation Program: \$304,581

3. Housing Authority adopt a resolution, entitled:

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SIGNAL HILL, CALIFORNIA, AUTHORIZING THE EXECUTION OF AN AFFORDABLE HOUSING AGREEMENT AND LOAN AGREEMENT (AHA) WITH NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA (NATIONAL CORE) FOR THE WALNUT BLUFF WORKFORCE HOUSING PROJECT, AUTHORIZING THE CITY MANAGER TO EXECUTE ALL TRANSACTIONAL DOCUMENTS REQUIRED TO COMPLETE THE AGREEMENT AND APPROPRIATING \$6,550,000 THEREFORE

4. Housing Authority approve the appropriations from the various funding sources not-to-exceed \$5,000,000 as follows:

- a. Housing Authority Land Loan: \$3,250,000
- b. Housing Authority Funds: \$1,750,000

Fiscal Impact:

The City and the Housing Authority have access to multiple sources of funding restricted to the development of affordable housing. As of July 1, 2024, the City and Housing Authority collectively have the following balances available to support affordable housing: the Housing Authority has a fund balance of \$7.2 million. In addition, the Housing Authority Fund will receive \$1.5 million remaining from a previous Successor Agency loan expected to be fully repaid by 2028. The City also has approximately \$750,000 in affordable housing in-lieu fees from a prior Development Agreement. The City has access to Permanent Local Housing Allocation (PLHA) funding through the State, in the amount of \$304,581. Lastly, the City may consider the deferral of impact fees associated with the project in the amount of \$500,000.

The proposed action would provide financial assistance to National CORE in the form of a loan totaling \$6,550,000, from the sources described above, for acquisition and development expenses associated with the Walnut Bluff Project (Project). If approved, the loan would accrue simple interest on the outstanding principal at the rate of 3% per year, or the maximum legal limit, whichever is less. The City's financial contributions will require 82 of the 83 units to remain income-restricted pursuant to affordability covenants as required by State law for a minimum of 55 years; National CORE is reserving one unit for an onsite property manager.

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 collectively 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.

On April 25, 2023, the City Council and Housing Authority Board authorized staff to proceed with a Notice of Funding Availability (NOFA) to select a qualified developer to advance the two workforce housing projects. Subject to formal approvals, the City and Housing Authority committed up to \$10 million from multiple sources for the development of these projects. At the October 10, 2023, City Council meeting, staff presented the results of the NOFA selection process and recommended National CORE as the City's preferred development partner. The City Council and Housing Authority Board approved the selection of National CORE and directed staff to negotiate an Exclusive Negotiation Agreement (Attachment A). In April 2024, the City Council authorized the City Manager to execute an Exclusive Negotiation Agreement (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 (Attachment B). Since executing the ENA, National CORE has actively worked to develop the proposed workforce housing sites.

Similar to many properties in Signal Hill, the two sites contain active and abandoned oil wells and significant challenges related to oil field operations. 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 (Attachment C). 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.

Since executing the ENA, there have been challenges associated with the Walnut Bluff project outside the City's control. 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. Additionally, due to a recent change in State law regarding oil operations and health protection zones, National CORE and SHP worked with an environmental consultant to prepare a supplemental human health risk assessment to determine that the Walnut Bluff site is suitable for residential development. Despite these challenges, National CORE developed an economically viable capital stack to advance Walnut Bluff development. Staff has identified key milestones completed under the terms of the ENA:

- Deposit: National CORE deposited \$30,000 to be utilized to defray third-party costs during the Negotiation Period. Reasonable costs include consultant and attorney fees.
- Evidence of Financing: National CORE provided the sources and uses of funds and financial pro-forma for the development.
- Site Control: Signal Hill Petroleum is the property owner of the subject site; National CORE negotiated the terms of site control within 60 days of the effective date of the ENA.
- Development Plans, Entitlements, and Environmental Review: Walnut Bluff was entitled and the CEQA EIR approved along with the Specific Plans for Walnut Bluff during the development of the Certified 6th Cyle Housing Element in 2021. The City and National CORE will work closely to advance and finalize this process.
- Negotiation of Affordable Housing Agreement: Within three hundred and sixty-five (365) calendar days of effective date, or as required for funding applications, whichever is first.

National CORE met the performance requirements to negotiate the AHA within the 365-day timeframe, as outlined in the ENA for the Walnut Bluff site. The AHA for the Walnut Bluff Affordable Housing Project is now being brought to the City Council and Housing Authority for consideration.

Analysis:

Staff worked with the City Attorney's Office to negotiate and prepare the proposed Affordable Housing Agreement and Loan Agreement (AHA) between the City of Signal Hill, Signal Hill Housing Authority,

and National CORE (Attachment D). The AHA also outlines mutual performance requirements to facilitate the project's development. As a binding contract, the AHA formally commits funds previously set aside for National CORE through the NOFA in connection with the proposed workforce housing project. The AHA further sets a defined timeline for National CORE to meet various performance criteria described in detail in the following section.

The City and Housing Authority would provide a loan to support development of the Walnut Bluff Affordable Housing Project. National CORE, a financially stable and experienced affordable housing developer, has secured over \$1 billion in low-income housing tax credit equity, nearly \$1 billion of tax-exempt bond allocations, and over \$800M in public agency subsidy. Additionally, National CORE has built or rehabilitated 10,000 rental units. With a book value of \$1 billion, this portfolio includes more than 100 low-income housing tax credit financed communities.

The Walnut Bluff Workforce Housing Project, including the acquisition, development, and remediation costs totals \$51,515,329. If approved, the City's loan in the amount of \$6,550,000 would fund the financing gap for this project. Under the terms of the Agreement, the proceeds from the Housing Authority loan return to the City and Housing Authority. The Walnut Bluff Project includes the following sources for construction and permanent financing:

- Tax Credit Equity
- Construction Loan
- Permanent Loan
- City/Housing Authority Loan
- City Housing Impact Fund
- City Impact Fee Deferral
- Los Angeles County Development Authority Affordable Housing Trust Funds Loan
- Gateway Cities Housing Trust Loan
- Federal Home Loan Bank Affordable Housing Program Loan

The Affordable Housing Agreement and Loan Agreement (AHA) also includes a Project Budget table, which outlines the funding sources, corresponding dollar amounts, and the planned allocation of funds to support the development of the project. See the table below for a detailed breakdown of the Project budget:

ATTACHMENT NO. 3

PROJECT BUDGET

| Sources | |
|--|----------------------|
| Permanent Loan | \$ 9,415,477 |
| Limited Partners (Tax Credit Equity) | \$ 27,706,688 |
| Signal Hill - Land Loan | \$ 3,250,000 |
| Signal Hill - Low-Mod Funds | \$ 1,750,000 |
| Signal Hill - Affordable Housing In-Lieu Fee | \$ 745,419 |
| Signal Hill - Impact Fee Waiver | \$ 500,000 |
| Signal Hill - PLHA | \$ 302,645 |
| LACDA (NOFA 31 - NPLH) | \$ 3,600,000 |
| Gateway Cities Housint Trust | \$ 2,245,000 |
| FHLB of SF - AHP | \$ 2,000,000 |
| GP Contribution | 100 |
| Total | \$ 51,515,329 |
| Uses | |
| Acquisition | \$ 3,250,000 |
| Hard Costs | \$ 30,217,519 |
| General Contractor Costs | \$ 4,985,890 |
| Hard Cost Contingency | \$ 1,760,171 |
| Developer Fee | \$ 2,500,000 |
| Reserves | \$ 1,052,231 |
| Soft Costs | \$ 7,749,518 |
| Total | \$ 51,515,329 |

Schedule of Performance

The AHA includes a Schedule of Performance, which establishes the timeframes for meeting specific obligations. The Schedule of Performance details these key deadlines and milestones, ensuring accountability throughout the development process. For the City Council's reference, staff has highlighted key milestones proposed under the terms of the AHA subsequent to the effective date and key funding milestones of the proposed agreement:

| Item of Performance | Time for Performance |
|---|--|
| 1. Borrower provides evidence of insurance (§ 3.9). | Within 10 days after the Effective Date. |
| 2. Borrower submits final building plans for City's review and approval (§ 3.6). | Within 45 days of Tax Credit Allocation Date. |
| 3. City approves (or disapproves) final building plans for Project (§ 3.6). | Within 30 days after a complete submittal. |
| 4. If final building plans are disapproved (Item No. 3), Borrower makes necessary corrections and revisions and resubmits and uses reasonable diligence to seek approval of same (§ 3.6). | Within 20 days after notice of disapproval. |
| 5. City approves final building plans for Project and issues Ready to Issue Permit letter. | Within 150 days after the Tax Credit Allocation Date. |
| 6. Borrower submits evidence of financial capability (§ 2.8). | Within 120 days after the Tax Credit Allocation Date. |
| 7. City's Community Development Director approves (or disapproves) Borrower's evidence of financial capability (§ 2.8). | Within 14 days after receipt of submittal. |
| 8. Borrower executes and delivers to City the City Note, Deed of Trust and Regulatory Agreement (§ 2.7). | Within 5 days after the satisfaction of all of the Funding Conditions in Section 2.3(b)-(g). |
| 9. All of the Funding Conditions are satisfied (§ 2.4). | Within 150 days after the Tax Credit Allocation Date, or such earlier time as provided in the Agreement with respect to individual Funding Conditions. |
| 10. City executes and records the Deed of Trust and Regulatory Agreement (§ 2.7). | Within 10 days after the Funding Conditions Satisfaction Date. |
| 11. City disburses the City Loan to Borrower (§ 2.5). | After the Funding Conditions Satisfaction Date. |
| 12. City approves Property Management Plan (§5.6) | Prior to issuance of building permits. |
| 13. Borrower obtains building permits and commences construction of the Project (§ 3.7). | Within 180 days after the Tax Credit Allocation Date |
| 14. Borrower completes construction of the Project and obtains City approval of final inspection and Certificate of Completion (§ 3.7). | Within twenty-four (24) months after commencement of construction. |

Repayment of Loan

National CORE’s obligation to repay the City for the Affordable Housing Loan is outlined in the Promissory Note. National CORE repays the City and Housing Authority through Residual Receipts (profit after expenses) generated by the project. Similarly, National CORE is also required to make annual payments to other lenders; therefore, the City and Housing Authority loan is subordinate and repaid through a waterfall provision noted in the AHA. Repayments to the City and Housing Authority are based on 50% of the Residual Receipts generated by the project. The amount the Borrower pays will be determined by the ratio of the City loan amount to the total of all loans for the project that are paid by the Residual Receipts; payments are due by May 31 of the following year.

Regional Housing Needs Assessment

Housing policy has been a long-standing priority in California. Over the past half-century, the California State Legislature has approved and passed numerous measures requiring local governments to adequately plan for housing needs within their communities. As part of the measures, municipalities are required to prepare and update local General Plans, which have mandated elements, including a Housing Element. The Housing Element is the only element within the General Plan that is required to be certified by the State. To obtain State certification, the Housing Element must include a plan to accommodate each municipality mandated Regional Housing Needs Assessment (RHNA) allocation, which is divided into four income categories. The income levels of “extremely low,” “very low,” and “low” are typically noted as affordable or workforce housing. The “moderate” and “above moderate” categories are noted as market rate housing. The State closely monitors and tracks housing production annually through the General Plan APR.

Signal Hill’s RHNA allocation for the 2021-2029 Housing Element cycle is 517 units total for all income levels. This RHNA number is more than three times the previous cycle number of 169 units. Staff would note that during the previous Cycle the City facilitated construction of 100% of its affordable housing allocation. The table below illustrates the percentage of units required in each income category.

| Income Level | 6th Cycle RHNA /Units | Percent |
|---------------------|---|----------------|
| Very Low | 161 | 31.1% |
| Low | 78 | 15.1% |
| Moderate | 90 | 17.4% |
| Above Moderate | 188 | 36.4% |
| Total | 517 | 100% |

The Project would be operated as a long-term affordable housing project, with approximately eighty-two (82) units to be rented at an Affordable Rent for a period of 55 years as more and one (1) exempt manager’s unit. Out of the 83 total units, 82 are designated as qualifying units; the project anticipates the following unit mix:

- 27 1-bedroom units including:
 - 21- Permanent Supportive Housing Units

- 2- 30% Households
- 1- 40% Households
- 2- 50% Households
- 1- 60% Households
- 34 2-bedroom units including:
 - 1- 30% Households
 - 7- 40% Households
 - 6- 50% Households
 - 7- 60% Households
 - 7- 70% Households
 - 6- 80% Households
- 22 3-bedroom units including:
 - 1- 30% Households
 - 5- 40% Households
 - 4- 50% Households
 - 4- 60% Households
 - 3- 70% Households
 - 4- 80% Households
 - 1 exempt Manager's Unit

Community Outreach

National CORE plans to develop a new community of 83 affordable housing designed to support families. Ideally situated within walking distance of neighborhood-serving retail, schools, parks, and employment opportunities, the Walnut Bluff community would provide a well-connected environment for residents to thrive. The site design, programming, architecture, and landscape architecture are intended to be refined in collaboration with the City, current property owner, and community through an inclusive engagement process that builds upon the input through the Housing Element update process.

National CORE took part in two community events, one in October (Halloween) and another in December (Christmas/Holiday), to engage with the community and gather feedback on the proposed project's design. After the December event, National CORE saw strong participation, with over 150 people taking part in the voting exercise. The design team will present updated renderings reflecting the community's preferred design alternative at the February 25 City Council meeting.

Amenities and Connectivity

With on-site amenities, programs, and partnerships including Hope through Housing and the Boys & Girls Club of Long Beach, this community would have a lasting impact. Strategically located east of the emerging Willow Springs Park and adjacent to retail along Willow Street, Walnut Bluff would contribute to the establishment of a vibrant, mixed-use neighborhood in Signal Hill. Future residents would have convenient access to regional transit via Willow Street's high-quality bus corridor, connections to the Metro A Line light rail, and multiple north-south bus routes. Additionally, dedicated east-west bike lanes on Spring Street would be complemented by a forthcoming north-south

backbone connector along Orange Avenue.

Recommendation

The Walnut Bluff Workforce Housing Project represents a significant step forward in addressing the community's need for affordable housing. The total cost of the project, including acquisition, development, and remediation, is \$51,515,329. If approved, the City and Housing Authority loan of \$6,550,000 would close the financing gap and support the project's success. The project's total anticipated sources for construction and permanent financing have been carefully outlined and ensure its feasibility.

The project has received valuable input from the community, and the design has evolved to reflect their feedback. National CORE has worked closely with the City and the community to ensure the proposed project aligns with the City's goals and vision. Approval of the affordable housing agreement would allow the City to move forward with the next steps in this project.

Staff recommends that the City Council and the City of Signal Hill Housing Authority approve the resolutions authorizing the affordable housing agreement with National CORE. This approval would enable the City and Housing Authority to provide the necessary financial support, ensuring the successful development of the Walnut Bluff Affordable Housing Project and advancing the City's commitment to expanding affordable housing opportunities.

Reviewed for Fiscal Impact:

Siamlu Cox

Attachments:

- A. National CORE Proposal
- B. National CORE Exclusive Negotiation Agreement
- C. National CORE Revised Exclusive Negotiation Agreement
- D. National CORE Affordable Housing Agreement and Loan Agreement
- E. City Council Resolution
- F. Housing Authority Resolution