

REGULAR MEETING AGENDA - ORANGE COUNTY HOUSING FINANCE TRUST

WEDNESDAY, JULY 19, 2023 - 10:00 A.M.

MEETING WILL BE HELD IN-PERSON ONLY

**COUNTY ADMINISTRATION NORTH – MULTI-PURPOSE ROOM – 1ST FLOOR
400 W. CIVIC CENTER DRIVE
SANTA ANA, CA 92701**

STEPHEN FAESSEL
Chairman

SHARI FREIDENRICH
Vice Chair

DON BARNES
Director

NATALIE MOSER
Director

TAMMY KIM
Director

KATRINA FOLEY
Director

JESSIE LOPEZ
Director

MIKE FROST
Director

VICENTE SARMIENTO
Director

Trust Manager
Adam Eliason

Trust Counsel
Lauren Kramer

Clerk of the Trust
Valerie Sanchez

Except as otherwise provided by law, no action shall be taken on any item not appearing in the agenda. When addressing the Orange County Housing Finance Trust, please state your name (or pseudonym) for the record prior to providing your comments. **In compliance with the Americans with Disabilities Act and County Language Access Policy, those requiring accommodation or services of an interpreter for this meeting should notify the Clerk of the Board's Office 72 hours prior to the meeting at (714) 834-2206. Requests received less than 72 hours in advance will still receive every effort to reasonably fulfill within the time provided.**

This agenda contains a brief general description of each item to be considered. The Orange County Housing Finance Trust encourages public participation. Members of the public may address the Trust regarding any item in the following ways:

1. **In-person:** If you wish to speak during public comment, please complete a Speaker Request Form and deposit it in the Speaker Form Return box located next to the Clerk. Speaker Forms are located on the table next to the entrance doors.
2. **Written Comment** – The Trust is also accepting public comments to be submitted by emailing them to aliason@ochft.org. The comments will be distributed to all of the Directors and read into the record. If you wish to comment on a specific agenda item, please identify the item in your email. General public comments will be addressed during the general public comment item on the agenda. In order to ensure that staff has the ability to provide comments to the Directors in a timely manner, please submit your comments prior to noon the day before the meeting. Public comments will be made available to the public upon request.

*All supporting documentation is available for public review online at:
www.OCHFT.org and in the office of the Clerk of the Board of Supervisors located in the
County Administration North building, 400 W. Civic Center Drive, 6th Floor,
Santa Ana, California 92701 during regular business hours,
8:00 a.m. - 5:00 p.m., Monday through Friday.*

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

CONSENT CALENDAR ITEMS:

1. Approve Orange County Housing Finance Trust minutes from the May 17, 2023, meeting.

DISCUSSION ITEMS:

At this time, members of the public in attendance may ask the Board to be heard, and emails received by members of the public will be read into the record on the following items as those items are called.

2. Approve of the Affordable Accessory Dwelling Unit Loan Program Policy Manual and authorize the Trust Manager to execute Trust Accessory Dwelling Unit Loan Documents.
3. Receive and file Federal and State funding advocacy update from Townsend Public Affairs.
4. Approve amendment to agreement with CivicHome for professional management services for the term beginning January 1, 2023, and ending December 31, 2025, to increase the amount by \$166,500 per contract year for a new total not-to-exceed amount of \$426,500 per contract year.
5. Election of Officers for Fiscal Year 2023/2024.

HOUSING TRUST MANAGER REPORT:

6. Oral Report from the Housing Trust Manager

PUBLIC COMMENTS:

At this time members of the public may address the Trust, and emails received by deadline will be read into record on any matter not on the agenda but within the jurisdiction of the Trust. The Trust or Chair may limit the length of time each individual may have to address the Trust, and emails received are to be read.

DIRECTOR COMMENTS:

ADJOURNED:

NEXT MEETING: September 20, 2023 – 10:00am

Agenda Item 1

Trust Minutes

May 17, 2023

**REGULAR MEETING SUMMARY ACTION MINUTES
ORANGE COUNTY HOUSING FINANCE TRUST**

WEDNESDAY, MAY 17, 2023, 10:00 A.M.

STEPHEN FAESSEL
Chairman

SHARI FREIDENRICH
Vice Chair

DON BARNES
Director

NATALIE MOSER
Director

JAMEY FEDERICO
Director

KATRINA FOLEY
Director

JESSIE LOPEZ
Director

CYNTHIA VASQUEZ
Director

VICENTE SARMIENTO
Director

Trust Manger
Adam Eliason

Trust Counsel
Lauren Kramer

Clerk of the Trust
Valerie Sanchez

ATTENDANCE: Directors Faessel, Federico, Lopez, Moser, Sarmiento and Vasquez

ABSENT: Directors Barnes, Foley and Freidenrich

PRESENT: Trust Counsel Lauren Kramer
Clerk of the Trust Valerie Sanchez
Trust Manager Adam Eliason

CALL TO ORDER

The Chairman called the meeting to order at 10:01 a.m.

PLEDGE OF ALLEGIANCE

Director Vasquez led the pledge of allegiance

ROLL CALL

The Clerk called the roll and confirmed quorum

CONSENT CALENDAR

1. Approve Orange County Housing Finance Trust minutes from the March 15, 2023 meeting
ON THE MOTION OF DIRECTOR FEDERICO, SECONDED BY DIRECTOR SARMIENTO, BY A VOTE OF 6 TO 0, WITH VICE CHAIR FREIDENRICH AND DIRECTORS BARNES AND FOLEY BEING ABSENT, THE BOARD APPROVED THE MINUTES OF THE MARCH 15, 2023 REGULAR MEETING

DISCUSSION ITEMS:

2. Approve waiver of City Member contributions for fiscal year 2023-24; and approve fiscal year 2023-24 Orange County Housing Finance Trust budget
ON THE MOTION OF DIRECTOR FEDERICO, SECONDED BY DIRECTOR MOSER, BY A VOTE OF 6 TO 0, WITH VICE CHAIR FREIDENRICH AND DIRECTORS BARNES AND FOLEY BEING ABSENT, THE BOARD APPROVED ITEM AS RECOMMENDED
3. Approve the 2023 Trust NOFA project funding, waiver regarding maximum per project funding and capitalized operating subsidy reserve and authorize Trust Manager to execute a contingent Letter of Intent to funding awardees
ON THE MOTION OF DIRECTOR LOPEZ, SECONDED BY DIRECTOR SARMIENTO, BY A VOTE OF 6 TO 0, WITH VICE CHAIR FREIDENRICH AND DIRECTORS BARNES AND FOLEY BEING ABSENT, THE BOARD APPROVED ITEM AS RECOMMENDED
4. Adopt resolution authorizing Trust Manager to apply for Local Housing Trust Fund program
ON THE MOTION OF DIRECTOR SARMIENTO, SECONDED BY DIRECTOR LOPEZ, BY A VOTE OF 6 TO 0, WITH VICE CHAIR FREIDENRICH AND DIRECTORS BARNES AND FOLEY BEING ABSENT, THE BOARD APPROVED ITEM AS RECOMMENDED
5. Adopt resolution authorizing Trust Manager to apply for the Southern California Association of Governments – Regional Early Action SCAG-PATH grant program with \$3 million towards a predevelopment loan program and \$4.5 million towards an ADU loan program
ON THE MOTION OF DIRECTOR FEDERICO, SECONDED BY DIRECTOR SARMIENTO, BY A VOTE OF 6 TO 0, WITH VICE CHAIR FREIDENRICH AND DIRECTORS BARNES AND FOLEY BEING ABSENT, THE BOARD APPROVED ITEM AS RECOMMENDED

HOUSING TRUST MANAGER REPORT (Item 7):

6. Oral Report from the Housing Trust Manager
TRUST MANAGER ADAM ELIASON INDICATED HIS UPDATE WOULD BE EMAILED TO THE DIRECTORS (COPY ATTACHED)

PUBLIC COMMENTS:

None

DIRECTOR COMMENTS:

None

ADJOURNED: 11:23 a.m.

NEXT MEETING: July 19, 2023 at 10:00 a.m.

STEPHEN FAESSEL
Chairman, Orange County Housing Finance Trust

VALERIE SANCHEZ
Clerk of the Orange County Housing Finance Trust

DRAFT

From: aeliason@ochft.org
To: aeliason@ochft.org
Bcc: alyssa.napuri@ocgov.com; amorris@santa-ana.org; bfoster@ocsd.org; cfikes@surfcity-hb.org; cymantha.atkinson@occr.ocgov.com; dylan.wright@occr.ocgov.com; eviveros@cityofirvine.org; ghenninger@ochft.org; jaylene.valentine@occr.ocgov.com; jbrown@santa-ana.org; jessica.villa@occr.ocgov.com; joanne.golden@ocgov.com; julia.bidwell@occr.ocgov.com; kimberlee.belli@ocgov.com; lauren.kramer@coco.ocgov.com; manuel.escamilla@ocgov.com; mgarcia15@santa-ana.org; Michelle.Zdeba@occr.ocgov.com; mkordashshim@cityofirvine.org; nbartash@anaheim.net; rose.contreras@ocgov.com; valerie.sanchez@ocgov.com; yvonne.etter@occr.ocgov.com
Subject: OCHFT Board Mtg Update
Date: Monday, May 22, 2023 1:26:43 PM
Attachments: [image001.png](#)

CHFT Board Members,

We were able to hold our May Trust Board meeting and approve next year's budget and approve two grant applications and NOFA project funding recommendations. However, we ended our meeting prior to providing my Trust Manager Report due to Director schedules. As promised, I am sending my update via email. Here is that update and it contains some important and exciting information.

1. Caltrans – I have been in discussions a few times over the past 7 months with staff at Caltrans District Office 12 regarding an expansion project along the 5 Freeway in OC from Tustin to the LA County line. This represents approximately 15 miles each way. One of the improvement options includes a new toll lane on each side of the freeway. New legislation in SB743 requires Caltrans to mitigate Vehicle Miles Traveled with a variety of options. One of the possible mitigation options is funding affordable housing within proximity to transit amenities or areas. Caltrans – across the state – has never used funding for affordable housing as a mitigation measure. I drafted language and criteria that could create a means to measure and determine appropriate transit rich amenities using existing tax credit funding and SCAG definitions and then added the benefits of working with the Trust to deploy the mitigation funding regionally. That letter and along with Caltrans draft environmental report is being reviewed at Caltrans headquarters and is expected to be released to the public at the end of May. I wanted to inform you of this prior, so you were aware.

The public will have the opportunity to review the draft environmental report for 45 days and attend two listening sessions with Caltrans and offer comments. A final environmental report will be completed around the end of this year. If all goes according to plan Caltrans will start the construction documents and a revenue study of the toll lanes. This will all be helpful in determining how much funding could potentially be available to the Trust to support affordable housing in Orange County. If Caltrans goes in this direction, construction is estimated to start in 2026 and take 2 years.

Bottom line – not sure if the Trust will get any funding and when. I did advocate for affordable housing funding in advance of the freeway project because affordable housing likewise takes years to construct. The Trust has the support of the OC District

office for this initiative. Other Caltrans offices in the state are watching and asking a lot of questions because they also see opportunities like this in the future in their regions to support affordable housing in this unique and creative way.

2. Our lobbyists, TPA, arranged a meeting for me to meet with Assemblymember Valencia and provided a Trust update. Assemblymember Valencia has selected the Trust as one of his top priorities for funding in this year's state budget. However, the budget is in a much different position this year compared to the last several years, so there is a lot of uncertainty if members will receive any district funding, and if they do, how much they will receive. Nevertheless, if you don't ask – you won't get anything. He has agreed to request \$3 million for the Trust.
3. The State grant program (LHTF) that has helped many Trusts' fund affordable housing projects will issue their last funding NOFA next year. I am keenly aware of this and working to rally other trusts and legislative support to extend and fund the LHTF program. I have met with Senator Rubio that authored the bill to create the San Gabriel Valley Regional Housing Trust and is a great champion of housing trusts in general to remind her of this. Senator Portantino representing the Pasadena, Burbank, Glendale area also championed a new housing trust in that area and is now drafting a bill for a very large State Affordable Housing Bond. Together with TPA we reached out to Portantino's office to add language to extend and fund the LHTF. I also met with Senator Blakespear representing south OC and she has agreed to work with and support Senator Portantino's bill as well. The Assembly side is also considering a large affordable housing bond and we have reached out to the co-authors of that bill as well.
4. Anticipated loan closing for Orchard View next month. This is a 66-unit affordable and permanent supportive housing development in the City of Buena Park. The Trust is funding 5 units, and it is the last project to start construction that was funded as part of the 2022 NOFA.
5. There is a groundbreaking event for the WISEPlace project on June 15th. This is a 48-unit permanent supportive housing project in the City of Santa Ana. The Trust is funding 14 units with MHSA funds.
6. The first grand opening for a Trust funded project will be happening next week on May 24th for the Ascent project in Buena Park. This is a 58-unit affordable housing project. The Trust is funding 16 units using a combination of State and County General Fund dollars, and LHTF funds.

Sincerely,

Adam B. Eliason

Manager

909.706.7193

Orange | Housing
County | Finance
Trust

1 League, #62335 - Irvine, CA 92602

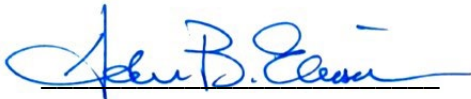
DRE# 01340974

Agenda Item 2
ADU Loan Program

REQUEST FOR ORANGE COUNTY HOUSING FINANCE TRUST (TRUST) BOARD ACTION

MEETING DATE: July 19, 2023

SUBJECT: Approve of the Affordable Accessory Dwelling Unit Loan Program Policy Manual and authorize the Trust Manager to execute Trust Accessory Dwelling Unit Loan Documents.



Adam B. Eliason, Manager

RECOMMENDED ACTION:

APPROVE THE AFFORDABLE ACCESSORY DWEEELING UNIT LOAN PROGRAM POLICY MANUAL; AUTHORIZE THE TRUST MANAGER TO CARRY OUT THE TERMS THEREOF, INCLUDING RECEIVING AND EVALUATING APPLICATIONS, EXECUTE ACCESSORY DWELLING UNIT LOAN DOCUMENTS FOR SUCCESSFUL APPLICANTS ON TEMPLATES APPROVED BY TRUST COUNSEL AND EXECUTE ANY SUBSEQUENTMINOR AMENDMENTS AND MODIFICATIONS TO THE ADU LOAN PROGRAM.

BACKGROUND:

In January 2023 the Trust submitted a grant application to CalOptima Health for the purpose of creating and operating an accessory dwelling unit (ADU) loan program. The Trust was awarded a \$4 million grant from CalOptima Health in March 2023. This grant is part of CalOptima Health's larger commitment of \$21 million aimed at enhancing affordable housing opportunities within Orange County.

Since the grant award, Trust staff have been working to complete the program design and details of the ADU loan program. This innovative program is designed to provide low-cost loans to homeowners, enabling them to construct new ADUs on their primary residences. By leveraging the recent statewide allowances for ADU construction, the Trust aims to expand access to income opportunities for homeowners while also providing much needed affordable rentals exclusively for very low-income tenants with a priority on Section 8 voucher holders.

This is the first time that CalOptima Health has provided funds for permanent supportive housing and affordable housing, directly addressing a major social driver of overall health and healthcare costs in the Orange County community.

With the CalOptima Health funding secured, the Trust is positioned to support CalOptima Health's goal of increasing the availability of permanent supportive and affordable housing options. The ADU loan program is scheduled to commence on August 1, 2023.

Furthermore, the Trust staff is actively preparing an additional grant application to the Southern California Association of Governments (SCAG) under their REAP 2.0 program. The application deadline for the SCAG grant is set for July 31, 2023. We anticipate that the CalOptima Health funding will serve as a valuable matching source of funds for the SCAG application, thereby increasing the likelihood of securing the SCAG grant. If approved, the SCAG funding would effectively double the current CalOptima Health grant and become available at the beginning of 2024.

PROGRAM DESIGN AND TERMS

There have been other ADU loan programs initiated in California and surprisingly none of them have reached any scale. Trust staff have been examining and interviewing people across the state in various sectors to learn valuable lessons in what worked and equally important, what didn't work. As part of the program design effort, Trust staff reviewed 16 other affordable ADU loan programs in California, interviewed staff at five of those programs, interviewed property management companies, public housing authorities, and builders specializing in ADUs. Public reports and academic studies were also consulted and incorporated into the program design.

The Trust's Affordable ADU Loan Program will offer a partially forgivable, deferred, and low-interest loan of up to \$100,000 to homeowners in Trust member cities who agree to rent their newly constructed ADU to a very-low-income tenant for ten years at an affordable rent. Repayment is allowed at any time but proceeds and applicable interest must be returned within 20 years of the loan closing or must be returned in the event of a title transfer or refinance.

Borrowers may lease to a housing choice voucher holder at 0% interest on their loan or an income-qualified tenant without a voucher at 3% interest. All leases to qualified tenants will accrue \$400 in principal forgiveness per month. Excessive vacancies and non-qualified tenants will trigger an above-market interest rate until the borrower returns to compliance. Extending the loan beyond 20 years will also result in an above-market interest rate. Once a borrower has completed 60 months with a qualified tenant in place, the interest accrued during construction is forgiven.

Additional benefits to borrowers include a \$5,000 grant for up to 10 ADUs that meet mobility accessibility requirements set by the program and grants for professional property management to provide education and assist with lease-up, tenant screening within fair

housing requirements, and Public Housing Agency registration. Attachment A provides details of the ADU loan policy and Attachment B summarizes the loan terms.

APPLICATION, SELECTION, AND LOAN DOCUMENTS

To ensure a fair and transparent process, eligible homeowners will be required to complete a program application, which will be submitted via a web form (Attachment C). Trust staff will then review the applications to determine eligibility. If the number of applications exceeds the available loans, a thorough prioritization process will be implemented. The criteria for prioritizing applicants include:

1. ADUs that meet the selected mobility accessibility requirements (enough for 10)
2. Equal distribution across Service Planning Areas (SPAs) throughout the county
3. ADUs already under construction but not yet complete
4. Earliest completed dates of applications

Spaces designated for mobility accessibility and regional areas will be reserved for a specific period to allow qualified applicants sufficient time to gather documentation and submit their applications. Upon selection, borrowers must meet progress milestones in securing financing and permit approval or risk losing their contingent Trust loan commitment. Once milestones are met, the loan will close without funds being issued. Trust funding will be paid once all other planned funding sources have been expended and the ADU has significantly progressed in construction.

Staff will review each property's title report and ensure that properties are owner-occupied and have the requisite property insurance. Total debt on the property must not exceed fair market value. Staff recommends that a foreclosure option not be included in the loan documents to stimulate interest and make the program more desirable.

Loan documents, including a Loan Agreement, Promissory Note, Regulatory Agreement, and Deed of Trust, are currently being developed in collaboration with Trust legal counsel. This effort ensures compliance with applicable regulations and facilitates the effective implementation of the ADU loan program.

MARKETING AND PROMOTION

To raise awareness of the ADU Loan Program, the Trust will leverage various marketing channels. These channels include:

1. ADU professionals
2. City websites and planning/building departments
3. Press Release to a variety of media outlets
4. Regional partners and their membership and their media outlets such as OCCOG, ACC-OC, Kennedy Commission, United Way Orange County.

Utilizing the established niche industry of ADU builders and consultants, the program will be promoted as an alternative funding source to the clients of those companies. There was significant enthusiasm for the program from these professionals as a way to increase the affordability for their customers.

The Trust will also maintain ongoing communication with member jurisdictions to promote the benefits of the ADU loan program. Some have already agreed to make available a program brochure through their permitting or building departments, as well as share an announcement via their public affairs mediums.

For all these avenues, Trust staff and consultants will create marketing kits with digital copy, images, and brochures to ensure accuracy and facilitate distribution of program information.

After initial loans are issued and the program is established, press releases will be issued to highlight the success to date and share best practices with other governing agencies.

TIMELINE

- July 19, 2023- Board approves authorization for loan issuance
- August 1, 2023- Application portal opens
- Mid-August 2023- Promotional kits distributed
- Beginning Q3 2023- Applications received, screened, selected
- Beginning Q4 2023- Contingent Funding Commitments issued
- 2024 to 2025 - ADUs completed

COSTS PER ADU

Total CalOptima Grant =		\$ 4,000,000	
Total Number of ADU's =		34	
LOAN AMOUNTS	UNIT AMT	PROGRAM TOTAL	%
ADU Capital Amount	\$ 100,000	\$ 3,400,000	85.00%
ADA Compliant Improvements (10 slots, \$5000 ea.)	\$ 1,471	\$ 50,000	1.25%
Tenant Selection Consultant	\$ 4,500	\$ 153,000	3.83%
Compliance/Reporting (10 years)	\$ 4,000	\$ 136,000	3.40%
Marketing	\$ 150	\$ 5,100	0.13%
Income Certification (55 across all ADUs)	\$ 324	\$ 11,000	0.28%
Design, Collaboration, Outreach, Underwriting	\$ 7,203	\$ 244,900	6.12%
TOTAL FUNDING	\$ 117,647	\$ 4,000,000	100.00%
		Capital Funding	
		Administrative Funding	

PROGRAM IMPACT AND REPORTING

In the initial phase, the program aims to subsidize the construction of 34 ADUs, subject to covenant restrictions for a period of 10 years. As loans are repaid, additional loans will be made available. Based on a conservative estimate assuming a 75% principal repayment, the program has the potential to facilitate up to 120 ADU loans over the life of the funding depending on the timing of the loan repayments.

It is important to note that ADUs are now accounted and reported as affordable housing under the 6th Regional Housing Needs Allocation (RHNA) cycle. The Trust will maintain a comprehensive database to track program details, notify cities with Trust ADU loans, validate the affordability classification, and assist cities in updating their Housing Elements to account for the increased number of affordable ADUs facilitated through the program.

CONCLUSION:

The Affordable ADU Loan Program is progressing as planned, thanks to the generous grant from CalOptima Health. The Trust remains committed to expanding affordable housing options and addressing the housing needs of low-income individuals and families in Orange County. As the program advances, the Trust will continue to provide comprehensive updates on its progress and milestones.

ATTACHMENTS:

Attachment A - Affordable Accessory Dwelling Unit Policy Manual

Attachment B - Affordable ADU Loan Program Loan Terms

Attachment C—Program Application



Affordable ADU Loan Program Policy Manual

July 19, 2023

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Overview

Orange County Housing Finance Trust's Affordable ADU Loan program offers a unique, not-for-profit loan product to Orange County homeowners that creates new ADU rentals which are affordable to build for all homeowners, as well as affordable to rent for households making less than 50% of the Area Median Income.¹

The program aims to expand the variety and location of affordable housing options, giving access to high-opportunity and high-resourced areas while also increasing the density of existing housing developments in line with Regional Housing Needs Allocation (RHNA) and Southern California's Association of Governments Connect SoCal 2020 regional development plan.

Goals/Objectives

- A. Provide financing for the construction of 34 accessory dwelling units, adding affordable housing rentals in all Service Planning Areas for individuals and families earning at or below 50% AMI by September 2025.
- B. Lower the development cost of constructing the 34 new affordable rental units to an average of \$250,000 or less per unit from the current average tax credit multi-family rental unit of \$497,570.²
- C. Reduce the amount of time to produce a new affordable rental unit from the typical tax credit multi-family rental unit taking 3-5 years from the typical tax credit multi-family rental unit taking 3-5 years to 18 months, or less, for 60% of participating homeowners, starting with their application to the ADU loan program and ending at building final or certificate of occupancy ending at building final or certificate of occupancy.

Program Description

The Affordable ADU Loan Program, administered by the Orange County Housing Finance Trust, offers \$100,000 low-interest, forgivable, deferred, 20-year loans to eligible homeowners for the construction of ADUs which will be set aside for 10 years as affordable rental housing for very low-income households in Orange County. Affordability will be secured through a Deed of Trust on the property and meets the requirements for an RHNA credit which will be reported to the corresponding city.

¹ <https://www.hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits>

² County of Orange Housing Funding Strategy 2022 Update – Page 13

Participating homeowners have no income requirements for participation; they may choose to rent to a voucher holder or any other income-qualified tenant. Additional program features include a \$5,000 grant for a limited number of mobility accessible ADUs and funding for assistance with tenant selection and leasing from an experienced property manager. The program has built-in flexibility to provide choice and contingencies for the homeowner while providing strong incentives for continued participation and making rentals available for those most in need in the community.

Stakeholders

Principal Stakeholders

- CalOptima (funder)
- OC Public Housing Authorities (OCHA, SAHA, AHA, and GGHA)
- Trust Member Cities
- Contracted Property Management companies
- Contracted income verification service provider
- Homeowners

Additional Stakeholders

- Organizations contracted for housing navigation services through CalOptima.
- Builders and consultants for ADU construction and permitting.
- City and local building departments
- California HCD

Design Philosophy

This program is designed to capitalize on the unique strengths of the Orange County Housing Finance Trust as an experienced affordable housing lender while relying on outside subject matter experts in other areas such as feasibility, permitting, construction, tenant selection, and property management. Emphasis has been placed on avoiding common pitfalls of other ADU programs in the pre-development phase by focusing on homeowners who have already committed to building an ADU and completed initial feasibility studies. This eliminates the need for ADU education, shortens the timeline between the start of program participation and construction completion, and provides better-qualified participants from the beginning.

Additionally, this program is primarily interested in market testing two concepts: consumer interest in and financial viability of a loan product secured with future rents and equity, and homeowner willingness to provide affordable housing within and outside of the voucher system. Related to the latter, the program is designed to offer significant financial incentives to those homeowners who do lease to voucher tenants as a further test of what amount and kind of incentives create sufficient motivation.

Reportable metrics

Tenant

- A. Most recent previous housing type (shelter, unsheltered, transitional, institution, subsidized rental, market rental) and location for the tenants
- B. Income changes overtime for the tenants
- C. Length of tenancy for each renter within the program (turnover rate)
- D. Relationship between renter and landlord, and impact on rents
- E. Demographic
 - 1. CalOptima members, or eligible for membership but not enrolled.
 - 2. Household size

ADU/Landlord

- A. Number of ADUs constructed with funding from the program.
- B. Actual cost of subsidies to those ADUs
 - 1. Trust's subsidy
 - 2. Any other subsidies they are benefiting from.
- C. Subsidy vs total cost of ADU (estimated and/or actual)
- D. Qualitative data on the landlord experience

Affordable Housing

- A. Total years and months of subsidized housing
- B. Number of very low-income households accessing affordable housing
- C. Number of RHNA credits (counted as a year of affordability for a single unit)

Program/Process

- A. Time from application to program to certificate of occupancy for each new ADU.
 - 1. Time spent in construction.
 - 2. Time spent permitting.
- B. The share of participating homeowners who lease at least once to a very low-income tenant.
- C. Share of participating homeowners who lease a minimum of 60 months to a very low-income household.
- D. Share of participating homeowners who lease to a voucher holder vs non-voucher holder vs non-eligible tenant, and for how long.
- E. Share of participating homeowners who remain in good standing in the program year-over-year.
- F. Share of participating homeowners who exit early from the program, while in good standing
- G. Share of participating homeowners who exit early from the program, while NOT in good standing
- H. Amount of punitive interest charged and share of homeowners who are charged a punitive interest penalty.

Program Processes

Available as separate files in flowchart Visio format. As detailed procedures are created, they will be linked in this document.

- A. Application to Loan Program (“ADU Application Flow”,)

- B. Screening and selection of participants (“CalOptima Applicant Ranking decision tree”)
- C. Predevelopment & Construction period (“ADU Predevelopment & construction flow”)
- D. Loan closing (“ADU Loan Issuance process flow”)
- E. Affordability Period
 - 1. Lease-up process (“ADU initial tenancy process flow”)
 - 2. Move-out process (“ADU Turnover process flow”)
 - 3. Renew lease process (“ADU tenancy recertification process flow–Non voucher”, “ADU tenancy recertification process flow– Voucher”)
 - 4. “ADU tenancy extreme noncompliance process flow”
 - 5. “ADU tenancy noncompliance process flow”
- F. Post-affordability period/ Program exit
 - 1. “ADU Exit before loan disbursement.”
 - 2. “ADU Loan Repayment”
 - 3. End of affordability covenant (“ADU Loan Hold Periods”)

Loan Terms

		Notes
Loan Amount	\$100,000	<i>Or the total cost of construction, whichever is lesser</i>
Affordability Term	10 years	<i>Option to extend after the initial term.</i>
Loan Term	20 years	
Interest	Fixed, simple interest, calculated on a 365-day year and based on actual days elapsed.	
Interest rate during Construction	Federal Fund Rate + 5% simple interest	<i>Interest is completely forgiven with a minimum of 60 months of qualified tenants in place.</i>
Interest rate during Affordability Term	Dependent on tenant qualifications	
Interest rate during tenant vacancy	Determined by applicable interest rate of the incoming tenant.	<i>Grace period of up to 90 days to lease to another tenant. After 90 days, interest during vacancy is equal to non-compliance rate.</i>
Interest rate during non-compliance	Federal Fund Rate + 5% simple interest	

Interest rate post Affordability Term	Federal Fund Rate + 1%	<i>If owner has not met the minimum of 60 months with a qualified tenant in place, the rate is Federal Fund Rate + 5% Interest will be applied to the principal minus any earned forgiveness during the affordability period.</i>
Interest rate post Repayment Event	Federal Fund Rate + 6% established at end of loan term.	<i>Only applied if the borrower does not pay off the loan before 20-year term ends or other qualifying repayment event.</i>
Payments	-No monthly payments -Lump sum payment due at qualifying repayment event	
Repayment events	-Title change -At expiration of affordability covenant, property is no longer owner-occupied. -End of loan term -Lot is split - ADU is no longer approved for occupancy	
Loan Forgiveness	\$13.15 a day for each day a qualified tenant occupies the ADU during the Affordability Covenant. Earned loan forgiveness will be applied at the end of any affordability term or when the loan is repaid, whichever comes sooner.	<i>Proof of qualified tenant is required. Partial months are prorated to actual days of tenancy, based on a 365-day year. Vacancy periods do not qualify for forgiveness</i>
Subordination	Yes, to primary mortgage and home equity loan/line of credit	<i>Other situations subject to written approval by Trust</i>
Qualified Tenant	Household income is equal or lesser than 50% Area Median Income	
Sale of Loan	Trust retains the right to sell the loan after the end of the Affordability Covenant	

Federal Fund Rate

The Federal Fund Rate will be defined as the “Federal Funds (effective) rate” as published by the Federal Reserve <https://www.federalreserve.gov/releases/h15/>

The Federal Fund Rate will be set based on the day the loan documents are issued. If there is a change of more than .5% in the Federal Rate between that date and the date the funds are issued, the Homeowner may elect, one-time, to change their base Federal Fund Rate by submitting a written request to the Trust.

Differences due to Tenancy

Depending on the tenant leasing the ADU, the borrower will have different terms and limits on the following conditions.

	Vouchered Tenant	Non-Vouchered Tenant	Notes
Interest Rate during Affordability Covenant	0%	3%	<i>Non-qualified tenants have a higher rate</i>
Maximum allowed rent	Determined by Public Housing Authority	MTSP limits for 50% AMI at applicable rental size, updated annually	<i>Published by HCD</i>
Rent increases	As approved by Public Housing Authority and allowed by state and local law	Up to current MTSP limits, if allowed by state and local laws	
Market rent decreases	Public Housing Authority policy on previously approved rents will apply	Rent can remain at previously allowed amount while same tenant remains. New tenants will be limited to current MTSP maximums.	

Extension of Affordability Covenant

At the end of any Affordability Covenant, a Homeowner may request from the Trust an additional covenant, extending the total affordability period up to the end of the Loan Term. This would qualify the homeowner to continue to earn forgiveness of the loan and benefit from a reduced interest rate whenever a qualified tenant was in place. Any additional Affordability Covenants are at the sole discretion of the Trust.

Basic Timeline of Participation

- A. Application to participate submitted by Homeowner, verified by Trust.

- B. Trust alerts Homeowner that they have a loan available and issues commitment letter if homeowner confirms desire to proceed.
- C. Contingency milestones are met by homeowners.
- D. Loan Closing Request packet submitted to Trust (construction and payment schedules, contractor contract if not previously provided, final approved plans)
- E. Trust confirms Closing Request packet, send Loan Approval packet (term sheet, loan agreement, regulatory agreement, deed) for e-signature. Date signed is the start of the loan.
- F. Trust funds are paid after all other planned funds have been used, as verified by Trust Fund Request Form, submitted by Homeowner.
- G. Loan Documents recorded. Check request made to the County.
- H. Affordability covenant term starts from the date of the final building permit/certificate of occupancy approval.
- I. After 10 years, Affordability Covenant ends
- J. 20 years after loan documents are signed, loan term ends.

Dates

Loan Start Date	Date loan documents are issued by Trust (loan agreement, deed of trust, regulatory agreement) [Dry loan closing]
Loan End Date	20 years after the Loan Start Date
Interest Start Date	Date loan is disbursed to Homeowner
Interest End Date	Date loan is paid off
Affordability Start Date	Date final building permit approval or certificate of occupancy is received
Affordability End Date	10 years after the Affordability Start Date, or as extended by mutual agreement

Participant Responsibilities & Requirements

Homeowners

Benefits

Participating homeowners will receive several benefits for participating in the Affordable ADU Loan Program.

- A. A deferred, forgivable, low-interest loan of up to \$100,000 for the construction of the ADU
- B. \$5,000 grant for selecting ADUs that meet the mobility requirements listed below.

- C. Grant for professional property management services during tenant selection and lease-up by a Trust vetted property manager (while funds are available)
- D. An additional 10-year deferred, low-interest post-affordability period.
- E. Choice of tenants including those with or without a housing voucher and the option to lease to very low-income family members.

Eligibility

- A. Owner-occupied property, in Trust member city in Orange County
- B. New ADU or ADU under construction that has not yet received final building permit sign-off/certificate of occupancy.
 - a. Illegal ADU conversions are not eligible.
- C. Properties with more than one residence are eligible if they have not already exceeded the maximum allowed number of ADUs per the city ordinances.
- D. One Affordable ADU Loan from the Orange County Housing Finance Trust per parcel and only one Affordable ADU loan may be held at a time by any owner or co-owner.
- E. Trust's loan cannot be any lower than 3rd position on the property.
- F. Total financing is sufficient to cover the cost of construction of the ADU, but all equity-based financing aside from the Trust loan cannot add up to more than 100% loan-to-value on the principal residence and cannot exceed a maximum limit of more than 120% of estimated construction costs.
- G. There is no upper limit on the cost of building the ADU, although participants are encouraged to carefully consider the maximum rent they can charge if renting to a non-voucher holder to ensure there is sufficient cash flow to service any additional debt.
- H. Working with an expert in ADU construction (including design, permits, and building) to provide technical assistance. If the homeowner has professional residential development experience, they may self-manage. Constructing party must be licensed as a contractor in California.
- I. ADU expert confirmation of the feasibility of the ADU for permitting, construction, and cost in a formal report.
- J. No members of the Trust board, staff, or family members of the same can participate in this program as a homeowner.

Ranking and Sorting Criteria

Should more qualified homeowners apply for the Affordable ADU loan program than available loans, then the program will utilize the following criteria to prioritize the selection of homeowners to receive the loans.

- A. Priority for ADUs that meet the selected mobility accessibility requirements (see below)
- B. Sorted by geographic location to allow for ADUs throughout the county.
- C. Secondary priority for ADUs already under construction
- D. Tertiary priority to earliest completed program application

Mobility Accessibility Standards

ADUs that meet the following minimum standards for mobility accessibility will receive priority for Affordable ADU loans.

- Exterior and interior accessible path for mobility-aided persons from the property entrance through to kitchen, living area, dining area, one bedroom, and one bathroom at a minimum. There may be stairs or other non-accessible barriers as long as an additional accessible path exists into those rooms and areas.
- Doorways are at least 32 inches wide, and all hallways are at least 36 inches wide.
- At least one bath, on the entry-level, with a clear space area of at least 60 inches in diameter and must have reinforced walls for grab bars to use in entering and exiting the tub/shower and around the toilet. Grab bars do not need to be installed.
- A roll-in, no-threshold, or low-threshold bathing facility in an entry-level bathroom.

Certification that the design meets these requirements will be the responsibility of the designer. Plans that are certificated as ADA-compliant designs will also qualify in this category.

Responsibilities

Participating homeowners are responsible for:

- A. Ensuring that all milestones are met before the deadline or communicating actively with the program administrator about any delays.
- B. Providing proof that milestones have been met as required.
- C. Any lines of credit that were used for financing the construction of the project must have the credit limit removed once the construction period is completed.
- D. Completing income-qualification verification through a Trust-authorized company.
- E. If they choose not to use a Trust-authorized property management company, they will be responsible for paying any fees associated with leasing the property.
- F. Ensuring that tenants meet the income requirements and providing proof of qualification along with the lease to OCHFT.
- G. Ensuring rent does not exceed the California Department of Housing and Community Development Multifamily Tax Subsidy Project (MTSP) rent limits for a tenant at 50% AMI in the corresponding sized rental.
- H. Completing and submitting annual recertifications of tenant qualifications
- I. Notifying the Trust upon move-out of a current tenant
- J. Repayment of the loan with any accrued interest at the time of a qualifying event or upon a decision by the homeowner to exit the program.
- K. The borrower agrees to keep the improvements and personal property now existing or later located on the Property insured against loss by fire, vandalism, and malicious mischief by a policy of standard fire and extended all-risk insurance.

Loan Contingency Milestones

- A. All non-Trust sourced loans are secured and available for use no later than the first projected date of use per the contract with the builder, permitting consultant, or manufacturer.
- B. Permit applications must be submitted to the respective jurisdiction within 3 months of receiving the letter of commitment of funding from the Trust.
- C. Permit approvals must be received from the respective jurisdiction within 9 months of receiving the letter of commitment of funding from the Trust.

If a participating homeowner fails to meet all three milestones, they will be considered to have forfeited their reservation of funding in the Affordable ADU loan program and those funds will be committed to another project. Homeowners may re-apply with proof that all milestones have been met but their date of completed application will be reset to the date of the re-application and not the original application.

If a participating homeowner fails to meet the first milestone, they will be issued a warning letter from the Trust on the date of the first missed payment deadline. Two subsequent warnings will be issued at 30 and 60 days post the first missed payment if funds have still not been secured. At that time, the Trust reserves the right to rescind the offer of the loan and reallocate that funding to another participating homeowner.

Loan Issuance

Once all milestones have been achieved, the Homeowner will complete the Loan Closing Request forms and turn them in to the Trust. Once verified, the Trust will issue the Loan Approval packet including the Loan Agreement, Promissory Note, Deed of Trust, and Regulatory Agreement for the Homeowner's signature.

These documents will be held until the Homeowner submits a Trust Funding Request Form along with the required documentation of the exhaustion of other funding. Once verified, the Trust will record the loan documents with the County and request the issuance of the loan in a lump-sum wire transfer.

Affordability Period

The affordability period will commence upon the final permit approval or certificate of occupancy of the ADU.

To ensure accurate accounting of homeowner participation and therefore applicable interest rates, it is imperative that participating homeowners or their property managers provide accurate and timely information to the Trust for all the following events:

- New tenant with new income verification or voucher
- Lease extension or new leases with current tenants
- Annual compliance checks
- Tenant notification to moveout
- Current tenants' income exceeds 70% Area Median Income
- Notice to quit or eviction notice issued to tenant.
- Change in tenant's voucher status.

Additionally, the borrowing homeowners are expected to keep the Trust informed of changes in property management, contact information for the homeowner and current tenant, and if the property ceases to be their primary residence.

Throughout the program, the Trust will share with borrowers the exact steps and tools needed to meet these reporting requirements and may adjust them from time to time to better meet the needs of participating homeowners, tenants, and the program.

Max rents allowed can be found on the California HCD website: <https://www.hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits>

These are updated annually. Rents may be increased to the updated amount with the legally required advanced notification to tenants and only effective on or after the effective date stated by HCD.

If a previously qualified tenant's income is reported to be above 50% AMI at the annual recertification, that tenant will be considered to still be a qualified tenant until their income exceeds the 70% AMI level. At that point, the tenant is not qualified, and the non-compliance interest rate will be applied to the loan, starting with the expiration of the current lease or lease extension. If the tenant is renting on a month-to-month automatic extension of a previous lease, the start date of the higher interest rate will be 60 days from the date the Trust notifies the borrower that their tenant is out of compliance. See the Tenant Eligibility section for more details.

Application

- A. Completed application form.
 - 1. Concept of build
 - 2. Understand & agree to terms of the program.
 - 3. Points of contact including permitting, contractor, project manager, and manufacturer
- B. Trust documents (if parcel is owned by a trust)
- C. Feasibility study
- D. Estimated budget
- E. Verification of funding sources
- F. Design plan (if available)
- G. Most recent mortgage statement (total balance)
- H. Proof of primary residency

Loan Closing Request Packet

- A. Payment schedule with both dates and construction milestones, divided to leave even payments solely sourced from the Trust.
- B. Construction Schedule with an anticipated completion date
- C. Construction Contract (if separate from entity assisting with permitting)
- D. Proof of all other funding sources secured.
- E. County Vendor Information

Application Selection Criteria

A completed application is not a guarantee of a loan through this program. While early applications will have the best chance of being selected, higher priority will be given to those

ADUs that meet the minimum mobility accessibility requirements as outlined in this document. Additionally, the program will prioritize a wide geographic disbursement of the ADUs to ensure that every region of the county benefits from this program. Finally, to ensure that loans are offered in a timely manner, those ADUs that are further along in construction will be considered first for funding.

Tenants

Eligibility

Qualified tenants in the Affordable ADU Loan Program must be certified to have a household income of no more than 50% of the Area Median Income (adjusted annually) at the time of leasing. This requirement can be satisfied through an income verification process with a Trust-authorized compliance screener or a current housing choice voucher. There is no minimum income requirement.

The income of individuals shall be determined in a manner consistent with determinations of lower-income households under Section 8 of the United States Housing Act of 1937, as amended (or, if such program is terminated, in a manner consistent with such determinations under such program as is in effect immediately before such termination) and **by the California Department of Housing and Community Development in accordance with California Health and Safety Code Section 50052.5.**

Full-time and part-time students at institutes of higher education are eligible to lease, provided they either meet the HUD definition of an independent student or their parent(s) are also income eligible, and their separate household meets the income limits of the rental, including financial assistance in excess of tuition, but not including loans used to cover educational and living expenses. If the homeowner is an immediate or extended family member of the student tenant, any reductions in rent from the maximum allowed rent for a 50% AMI household will be counted as financial assistance from the family member for purposes of income calculations but not for determining independence. They must also provide proof of continued independence or parental eligibility at the first annual recertification of eligibility, but not at subsequent recertifications.

For reference: **chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.hud.gov/sites/documents/DOC_20482.PDF**

Tenants whose income exceeds the maximum allowed amount of 50% AMI after they have leased the ADU will be considered qualified tenants for this program as long as their income is at or below the 70% AMI limit. Once their income has exceeded the 70% AMI threshold, the applicable interest rate for the loan will increase to the non-compliance rate while that tenant remains in the ADU. As of June 2023, in consultation with the Fair Housing Council of Orange County, as long as the primary residence is owner-occupied, the homeowner is not required to provide just cause for termination of tenancy. Because income recertifications will be conducted

near the annual lease expiration, the Trust's expectation is that no tenant will be evicted due to income, but leases will be allowed to expire without renewal or extension. Proper notice of the owner's intent not to continue the lease must be provided.

If homeowners lease the ADU to a tenant who is considered unqualified at the time of leasing, they will be considered out of compliance with the terms of the loan and will incur a higher interest rate than charged when in compliance.

Tenant Screening

The Affordable ADU Loan Program has no additional tenant screening requirements. However, homeowners are reminded that tenant selection must adhere to all applicable federal, state, and local laws.

Specifically, it is a violation of the California Fair Employment and Housing Act (FEHA) to discriminate based on source of income, including using a housing subsidy. While landlords may choose not to advertise directly to voucher recipients, they cannot deny housing based solely on the use of a housing subsidy. For more information on allowed and prohibited practices related to source of income, see this [helpful FAQ document](#) from the California Civil Rights Department.

Tenant Responsibilities

All tenants, regardless of being qualified tenants or not, of an ADU covered by a loan agreement as a part of this program are required to truthfully complete and return the annual income recertification documentation. At move-out, they are expected to confirm their vacating of the property for the Trust's records. They may also be contacted directly by the Trust to confirm the information provided by the tenant as part of their income verification.

Builder/consultant

The Trust will invite selected residential construction and permit companies with expertise in ADUs to participate in the program by promoting the program to their customers or potential customers. The Trust reserves the right to decline to work with certain builders or provide loans to homeowners working with certain builders if the Trust believes that to do so would introduce unusual risk into the permitting or construction processes.

Builder Requirements

- Successfully permitted or built (corresponding to their services offered) at least 5 ADUs in California, at least one in Orange County
- For contractors, an active license in good standing with the California Contractors' State Licensing Board
- Successfully partnered with the Trust on any past ADUs funded by the Trust.
- Method of construction must be established or well documented for the construction of residential rental properties, as determined by the Trust, and meet the requirements of the jurisdictional building and planning departments.

- The sales team must attend a program overview call with the program administrator to ensure an understanding of loan terms and requirements.

Builder Expectations

- Provide materials on the Affordable ADU loan program to all customers who intend to rent their Orange County ADU
- Connect interested customers to the Trust program administrator.
- Honor a release of information from the customer allowing the builder to communicate directly with the Trust about the progress of the ADU's permitting and construction.
- Provide timely and accurate updates on the progress related to financing, permitting, construction, and final occupancy certifications for any Trust funded ADUs.
- Divide the payment/construction draw schedule so that no payments/draws are partially funded by the Trust.

Property Management

The Trust will open up a Request for Proposals from local property management companies to select and contract with a small number of companies for the provision of Trust-funded services to the participating homeowners. These Property Management companies will be authorized by the Trust and will agree to offer the unique combination of services required by this program but will not be contracted to the Trust directly.

Responsibilities

- Register the rent-receiving entity with the appropriate Public Housing Authority for any vouchered tenants.
- Promote available rental on PHA vacancy lists (as directed by homeowner) and to housing navigators through CalOptima, as well as common avenues for advertising a rental.
- Responsible for showings, applications, screening, Request for Tenancy application to PHA, HQS inspections, lease agreement including HAP addendum if required, move-in, and lease submission to PHA (if applicable)
- Homeowners may also request that the property manager selects the tenant.
- If the tenant does not possess a voucher, required to conduct income verification screening, and submit the determination to the Trust (or use the approved Trust income verifications service provider)
- Ensures that all federal, state, and local regulations related to fair housing, housing discrimination, and tenancy are adhered to by the homeowner during the tenant selection and leasing processes.
- Submit invoice for services to Trust for payment.
- Provide instruction and guidance to the homeowner throughout the process to increase their education and familiarity with the leasing and voucher processes.

Requirements

- Provide services in Orange County, California

- Demonstrated experience with housing choice vouchers or low-income housing.
- Commitment to fair housing practices
- Demonstrated experience with ADU rentals, or failing that, single-family home rentals.
- Accept payment from the Trust for services rendered.

Budget


CalOptima

\$4,000,000 was received from CalOptima Health for this program.

Requirements

- Semi-annual progress report
 - First due Oct 30, 2023, covering Apr 1, 2023 - Sep 30, 2023
- Final report
 - Due April 30, 2024

Spending Estimates

	ADU LOAN PROGRAM BUDGET		
Total CalOptima Grant =		\$ 4,000,000	
Total Number of ADU's =		34	
LOAN AMOUNTS			
ADU Capital Amount	\$ 100,000	\$ 3,400,000	85.00%
ADA Compliant Improvements (10)	\$ 5,000	\$ 50,000	1.25%
Tenant Selection Consultant	\$ 4,500	\$ 153,000	3.83%
Compliance/Reporting (10 years)	\$ 4,000	\$ 136,000	3.40%
Marketing	\$ 150	\$ 5,100	0.13%
Income Certification (55)	\$ 200	\$ 11,000	0.28%
Design, Collaboration, Outreach, Underwriting	\$ 7,203	\$ 244,900	6.12%
TOTAL FUNDING	\$ 121,053	\$ 4,000,000	100.00%
		Capital Funding	
		Administrative Funding	

Financial Grant for 10 ADU's to be ADA compliant			
Amanda: Need to develop a scope of work and try and get multiple tenant selection and training			
Assumes \$400/yr per x 10 years x 34 units			
Assumes that we will need 55 Income Certifications over the 10 year period			

Remedies

Excessive permit delays

Loan contingency milestones allow the Trust to terminate the commitment letter. If excessive delays are not the fault of the homeowner or their contractor and the source of delay is likely to be resolved, Trust may opt to continue the loan commitment.

Contractor fails or commits fraud

If the Trust has not issued funds, the Homeowner may decide to cancel the agreement with the Trust at no penalty. If the Trust has issued funds, the Homeowner must find a replacement builder to finish the project or can repay the borrowed amount with interest.

Trust will require verification of progress on construction before first releasing Trust funds.

Other funding falls through

Homeowners must find replacement funding before the first anticipated payment would have been made from those funds. For instance, if an ADU was being paid with cash first, then a HELOC, the Homeowner has until the date or construction progress point that would first pull from the HELOC funds to secure a replacement source of money.

If other funding cannot be secured, Homeowner will have failed to meet the financing milestone and the Trust can rescind their funding.

ADU destroyed before Affordability Term complete

Homeowners must repay the loan as a required Repayment Event, likely from an insurance settlement. If Homeowner intends to rebuild, they may reapply to the program for a new loan. The Trust may at their discretion apply as a credit to the new loan the number of months with a qualified tenant during the first loan to meet the minimum 60 months of eligible tenancy threshold.

ADU LOAN PROGRAM TERMS

Description	Terms	Notes
Loan Amount	\$100,000	<i>Or the total cost of construction, whichever is lesser</i>
Affordability Term	10 years	<i>Option to extend after the initial term.</i>
Loan Term	20 years	
Interest	Fixed, simple interest, calculated on a 365 day year and based on actual days elapsed.	
Interest rate during Construction	Federal Fund Rate + 5%	<i>Interest is completely forgiven with a minimum of 60 months of qualified tenants in place.</i>
Interest rate during Affordability Term	Dependent on tenant qualifications	<i>See table "Differences due to Tenancy"</i>
Interest rate during tenant vacancy	Determined by applicable interest rate of the incoming tenant.	<i>Grace period of up to 90 days to lease to another tenant. After 90 days, interest during vacancy is equal to non-compliance rate.</i>
Interest rate during non-compliance	Federal Fund Rate + 5%	
Interest rate post Affordability Term	Federal Fund Rate + 1%	<i>If owner has not met the minimum of 60 months with a qualified tenant in place, the rate is Federal Fund Rate + 5% Interest will be applied to the principal minus any earned forgiveness during the affordability period.</i>
Interest rate post Repayment Event	Federal Fund Rate + 6% established at end of loan term.	<i>Only applied if the borrower does not pay off the loan before 20-year term ends or other qualifying repayment event.</i>
Payments	-No monthly payments -Lump sum payment due at qualifying repayment event	

Repayment events	<ul style="list-style-type: none"> -Title change -At expiration of affordability covenant, property is no longer owner-occupied. -End of loan term -Lot is split - ADU is no longer approved for occupancy 	<i>Homeowner can repay the ADU loan at any time subject to repayment terms and applicable interest</i>
Loan Forgiveness	<p>\$13.15 a day for each day a qualified tenant occupies the ADU during the Affordability Covenant.</p> <p>Earned loan forgiveness will be applied at the end of any affordability term or when the loan is repaid, whichever comes sooner.</p>	<i>Proof of qualified tenant is required. Partial months are prorated to actual days of tenancy, based on a 365-day year. Vacancy periods do not qualify for forgiveness</i>

Differences due to Tenancy

	Voucher Tenant	Non-Voucher Tenant	Notes
Interest Rate during Affordability Covenant	0%	3%	<i>Non-qualified tenants have a higher rate</i>
Maximum allowed rent	Determined by Public Housing Authority	MTSP limits for 50% AMI at applicable rental size, updated annually	<i>Published by HCD</i>
Rent increases	As approved by Public Housing Authority and allowed by state and local law	Up to current MTSP limits, if allowed by state and local laws	

MTSP = Multifamily Tax Subsidy Projects

HCD = California Department of Housing and Community Development

Federal Fund Rate will be the published daily rate located at:

<https://www.federalreserve.gov/releases/h15/>



OCHFT's Affordable ADU Loan Application

Complete this form to apply for a subsidized loan for the construction of a new ADU. As there are a limited number of loans available, your selection to receive a subsidized loan is not guaranteed.

Please ensure that your application meets minimum eligibility requirements [link to eligibility list on website] before completing the application. You can find additional instructions and a quick reference list of required information for applying here: {link}.

For any questions, contact Amanda Grill at agrill@ochft.org

Owner's First Name

If the property is owned by a Trust, please provide the name of the Trust and use the Co-owner fields to provide the information for the Trustee authorized to secure loans on the property.

Owner's Last Name

Owner's Email

Owner's Phone Number

The best number to reach you

Co-owner's First Name

Co-owner's Last Name

Co-owner's Email

Co-owner's Phone Number

The best number to reach the co-owner

Additional Owners/Trusts

If there are more than 2 owners or unique ownership arrangements, please add that information here.

Primary Street Address *

Address for the existing principal residence on the property where the ADU will be built

City *

If the city is red, they are not a member of the OCHFT and are ineligible for this program. We encourage you to reach out to your city council about joining the Trust to allow you to participate in this program.

Zip Code *

Parcel Number (APN) *

You can looking up at the OC Treasurer-Tax Collector website https://tax.ocgov.com/tcweb/search_page.asp

Mailing Street Address

If different from your primary address

Mailing City

Mailing State

Mailing Zip


Professional Services

If you have already engaged professional services, please provide contact information for those service providers including permitting, building, manufacturing, ADU consultants, and/or project management, etc. If you are still deciding on some vendors, please note that as well.

Include the name of the company, a point of contact, and contact information for that person (email and phone preferred)

Feasibility Assessment


Please provide an assessment from your ADU or permitting consultant that verifies the feasibility of building an ADU including considerations for setbacks, local ordinances, and site-specific limitations.


 **Attach file**

 Drop files here

Statement of secured debt


Provide the most recent statement of any debt(s) that are secured against the principal residence (i.e. mortgages, existing home equity loans)

 **Attach file**

 Drop files here

Budget

The total expected cost to build and complete the ADU. Include line items for all cost categories including contingency allowance, predevelopment costs, site preparation, permitting, construction, and utility connection costs.

 **Attach file**

 Drop files here


What non-Trust funding sources do you plan to use to pay for the ADU?

- Bank loan, home equity
- Bank loan, other
- Private loan (friends, family, investor)

- Private loan (friends, family, investor)
- Credit card or other unsecured debt
- Restricted account withdrawals (retirement, life insurance)
- Cash/ savings

Proof of funding


Approvals or preapprovals from any lenders and/or documentation of current available balance for any non-lender funding


 **Attach file**

 Drop files here

Design Plan

Preliminary through final design plans are acceptable. Please include square footage, bedroom count, and, if requesting the mobility grant fund, document the mobility accessibility features.

 **Attach file**

 Drop files here

What type of ADU are you building?

Select all that apply

- Attached
- Detached
- Conversion
- New build
- Within existing residential structure (i.e. Jr. ADUs)
- Existing non-residential structure (i.e. garage)

What is the square footage of the ADU?

How many bedrooms are in your ADU?

How many bathrooms are in your ADU?

How will your ADU be constructed?

- On-site, traditional framing
- Off-site, manufactured
- On-site, manufactured (3D print etc.)
- Off-site, panelized

Will your ADU meet the mobility standards for the accessibility grant?

ADUs that meet the following mobility requirements will receive an additional \$5,000 grant. [Link to be added]

- Yes
- No

Which of the following steps for building your ADU have you already completed?

- Loans secured
- Permit application submitted
- Permit approved
- Construction started
- None of the above

Terms of the Orange County Housing Finance Trust's Affordable ADU Loan program *

Links to be added

By selecting this box, I represent that all titled owners have reviewed the terms of the OCHFT's Affordable ADU Loan program and have agreed to participate in this program.

Submit

Never submit passwords through this form. [Report malicious form](#)

Agenda Item 3
Funding Advocacy

REQUEST FOR ORANGE COUNTY HOUSING FINANCE TRUST (TRUST) BOARD ACTION

MEETING DATE: July 19, 2023

SUBJECT: Receive and file Federal and State funding advocacy update from Townsend Public Affairs.

RECOMMENDED ACTION:

RECEIVE AND FILE FEDERAL AND STATE FUNDING ADVOCACY UPDATE FROM TOWNSEND PUBLIC AFFAIRS.



Adam B. Eliason, Manager

BACKGROUND:

Attachment A is a memo summarizing funding advocacy efforts from Townsend Public Affairs to date. The Trust Board will receive a full update at the meeting and a representative of Townsend Public Affairs and will be available to answer any questions from the Board.

ATTACHMENT:

Attachment A – Memo from Townsend Public Affairs - Advocacy Update



M E M O R A N D U M

To: Orange County Housing Finance Trust

From: Townsend Public Affairs
Christopher Townsend, President
Cori Takkinen, Vice President
Eric O'Donnell, Deputy Director

Date: July 19, 2023

Subject: Advocacy Update

Townsend Public Affairs (TPA) is currently working with the Orange County Housing Finance Trust (Housing Trust) staff on a state and federal advocacy strategy to secure funding in Sacramento and Washington DC.

State Legislative Calendar and Update–

During the last week of June, the Legislature and Governor Newsom announced they had reached a deal on the 2023 State Budget. On June 13, Governor Newsom signed the 2023 Budget Act, SB 101, into law, four days before the constitutional deadline of July 1. Overall, the budget reflects a \$310.8 billion spending plan for the 2023-24 fiscal year. This agreement also closes an estimated \$32 billion budget deficit while setting aside about \$37.8 billion in reserves.

Much of the negotiations during June centered around the Governor's desire to include several measures to expedite large-scale infrastructure projects by, in part, accelerating the judicial review of CEQA lawsuits and providing funding for transit operations. Ultimately, the negotiations resulted in a concession the Governor made, to remove the proposed Delta Tunnel water project from being eligible for expedited CEQA review. Key accounts related to housing, homelessness, public safety, and transportation are mostly stabilized from budget amounts in the past few years.

The housing package in the state budget includes various annual and one time funding programs. The California Dream for All shared equity down payment assistance program for first-time homebuyers is fully funded by rejecting the \$200 million proposed cuts, as is the Accessory Dwelling Unit Grant Program by rejecting \$50 million in proposed cuts. The budget directs \$100 million to the Housing and Community Development Department's flagship affordable housing development program: Multi-Family Housing Program. It retains \$50 million for the CalHome affordable housing retention and rehabilitation program, by partially rejecting \$100 million in

proposed cuts, and \$82.5 million for the Foreclosure Intervention and Housing Preservation Program while achieving budget year savings through deferral of \$345 million previously allocated to the program.

State Budget Opportunities –

TPA worked with the Housing Trust to develop a State budget ask for \$3 million in funding for the Housing Trust, to help facilitate the construction of affordable and permanent supportive units by 2025. TPA worked to secure Assemblymember Valencia as the sponsor and champion of the request. The request was not ultimately awarded funding in the June budget bill or subsequent budget trailer bills.

State Housing Bond Opportunities –

TPA is currently working with the Housing Trust and various members of the Legislature to advocate for additional funding for the expiring Local Housing Trust Fund program. The Housing Trust has routinely been successful in the past couple years in accessing Local Housing Trust Fund monies for affordable housing projects in Orange County.

Specifically, TPA has engaged Assembly Member Wick's office, as well as Senator Portantino's office, who each have competing Housing Bonds moving through the Legislative Process. TPA has drafted language that would extend the Local Housing Trust Fund program as well as allocate additional funds and is advocating for the language's inclusion in the competing Housing Bonds.

TPA has facilitated and participated in several conversations with the Author's offices and is currently working with Housing Trust staff on compiling data and information about the effectiveness and efficiency of the Local Housing Trust Fund program in constructing affordable and permanent supporting housing.

Federal Budget Opportunities –

Earlier this year, TPA coordinated with the Housing Trust to submit a new request for \$3 million in funding through the federal community project funding process. This request was a follow up to the successful \$3 million that the Trust received from Congressman Correa last year. The request was submitted to Congressman Correa, Senator Feinstein, and Senator Padilla. The request was not selected funding this year as projects were prioritized that had not previously received an allocation of funding through this program.

Other Funding Opportunities –

TPA is working with the Housing Trust to identify opportunities for the Housing Trust to secure funding through Caltrans' proposed mitigations efforts for the I-5 freeway expansion project in Orange County. TPA is working on a strategy to engage the Orange County Delegation to advocate that funding for affordable housing be included as a preferred source of funds for mitigation efforts in the final adopted Environmental Impact Report (EIR).

Agenda Item 4
CivicHome Amendment

REQUEST FOR ORANGE COUNTY HOUSING FINANCE TRUST (TRUST) BOARD ACTION

MEETING DATE: July 19, 2023

SUBJECT: Approve amendment to agreement with CivicHome for professional management services for the term beginning January 1, 2023, and ending December 31, 2025, to increase the amount by \$166,500 per contract year for a new total not-to-exceed amount of \$426,500 per contract year.

FROM: Lauren Kramer, Trust Legal Counsel

RECOMMENDED ACTION:

APPROVE AMENDMENT TO AGREEMENT WITH CIVICHOME FOR PROFESSIONAL MANAGEMENT SERVICES FOR THE TERM BEGINNING JANUARY 1, 2023, AND ENDING DECEMBER 31, 2025, TO INCREASE THE AMOUNT BY \$166,500 PER CONTRACT YEAR FOR A NEW TOTAL NOT-TO-EXCEED AMOUNT OF \$426,500 PER CONTRACT YEAR.

BACKGROUND:

This report presents a proposal to amend the current contract between the Trust and CivicHome, the administrative services provider. CivicHome manages the various administrative needs to ensure the efficient operation of the Trust. The existing contract, approved by the Trust, stipulates a three-year term commencing on January 1, 2023, and concluding on December 31, 2025, with an annual amount of \$260,000.

PROPOSED AMENDMENT:

The purpose of this amendment is twofold. Firstly, it is in response to the Trust's recent receipt of a grant from CalOptima Health to establish a new Accessory Dwelling Unit (ADU) Loan Program. The grant received from CalOptima Health encompasses funding for both capital and administrative expenses. The Trust intends to utilize the grant's administrative funding in collaboration with CivicHome to cover the administrative costs associated with creating, operating, and monitoring the ADU Loan Program over the program's duration. Notably, a significant portion of the program-related work is concentrated in the initial years, gradually tapering off during the compliance period.

Secondly, the proposed amendment aims to address the increased staffing expertise and workload requirements related to the Trust's financial management and planning. Presently, the Trust manager assumes responsibility for various financial functions, including financial reporting, internal controls, budgeting, forecasting, and compliance requirements. To enhance financial oversight and ensure robust financial management, the amendment seeks to authorize CivicHome to hire a part-time professional with specialized expertise in these financial areas.

Over the past four years, the Trust has secured funding commitments amounting to nearly \$60 million through 12 separate applications, each carrying distinct accounting and reporting requirements. Moreover, the complexity and functionality of the Trust's financial operations, budgeting, and annual audit have intensified over this period. Consequently, the Trust's financial administration necessitates additional expertise and dedicated attention to ensuring proper management and adherence to financial protocols.

Currently, the Trust maintains an existing Memorandum of Understanding (MOU) with the County of Orange for check issuance and wiring funds. It is anticipated that the newly appointed staff member from CivicHome will closely coordinate with the County of Orange concerning the Trust's finances. This collaboration aims to facilitate seamless financial operations and strengthen financial oversight. Additionally, this staff member will prepare a mid-year budget report and presentation to the Trust Board.

CONCLUSION:

During the Trust Board Meeting in May 2023, the fiscal year 2023-2024 budget was approved. Within this budget, an increase of \$166,500 was included for the CivicHome professional services agreement. Staff recommends the amendment to the existing CivicHome contract, incorporating these additional tasks within the scope of work.

ATTACHMENT

Attachment A – First Amendment to Agreement between OCHFT and CivicHome

Agenda Item 5
Election of Officers

REQUEST FOR ORANGE COUNTY HOUSING FINANCE TRUST (TRUST) BOARD ACTION

MEETING DATE: July 19, 2023

SUBJECT: Election of Officers for Fiscal Year 2023/2024



Adam B. Eliason, Manager

RECOMMENDED ACTION:

ELECTION OF OFFICERS FOR FISCAL YEAR 2023/2024

BACKGROUND:

Per Section 5(e)(6) of the Joint Power Agreement, the Board of Directors shall select a Chairperson and Vice-Chairperson at the first meeting held in each fiscal year. The OCHFT Fiscal Year is from July 1st to June 30th. Therefore, this election will be for the 2023-2024 Fiscal Year.

The Chairperson will conduct the election process and the Clerk of the Trust will record the election results.

Pursuant to the Article III, Section D of the Trust's adopted bylaws, if a County representative is the Chair for any one period, a City representative shall serve as Vice-Chair. In turn, if a City representative is Chair for any one period, a County representative shall serve as Vice-Chair.