

Q&A from THRIVE Santa Ana

Is the City providing loans only? Is the City open to forgivable loans or grants from any of the available sources: City of Santa Ana Inclusionary Housing funds, HOME funds, or Housing Successor Agency funds?

Under the City's Affordable Housing Funds Policies and Procedures, the City provides deferred payment loans and/or grants.

THRIVE is interested in using RFP 26-004A funds for costs related to acquisition and rehab of existing multi-family units, working with existing tenants to develop a housing cooperative project. Once acquisition and rehab are completed, THRIVE is interested in leveraging the City's My First Home program to offer Co-op Share Loans to eligible tenants, in support of each tenant's "buy-in" to the cooperative ownership structure. Are Co-Op Share Loans a valid use of the City's My First Home program? Can such funds be used in conjunction with RFP 26-004A funds?

RFP 26-004A allows proposals involving the development of limited-equity housing cooperatives. The RFP specifically identifies the development of limited-equity housing cooperatives through conversion or new construction as an eligible purpose and allows eligible development costs such as acquisition, rehabilitation, financing, legal and organizational costs, and related expenses. The RFP also prioritizes both acquisition/rehabilitation projects and projects that create homeownership opportunities. The City's Affordable Housing Funds Policies and Procedures similarly recognize limited-equity housing cooperatives as an eligible form of affordable housing development.

However, under the City's current My First Home Program Guide, Co-op Share Loans are not an eligible use of My First Home funds. The My First Home Program is currently structured to assist an eligible first-time homebuyer with the purchase of an eligible residential property through a conventional real-property purchase transaction. The program requires a first mortgage, a purchase contract and escrow, and the City's assistance is secured by a lien on the purchased property through a recorded Loan Agreement and Deed of Trust. The Program Guide also expressly identifies multi-family properties as an ineligible property type. Accordingly, the current My First Home Program does not provide a mechanism for financing the purchase of a cooperative corporation share or other tenant "buy-in" that does not result in the type of individual real-property ownership and security interest required by the Program.

This limitation is specific to the My First Home Program and does not mean that cooperative ownership is categorically ineligible for all City or federal affordable housing funding. For example, the HOME provisions incorporated into RFP 26-004A recognize a "cooperative unit" as a form of single-family housing that may qualify as HOME-assisted homeownership housing, subject to all applicable HOME requirements. Therefore, THRIVE may propose an acquisition/rehabilitation and cooperative ownership model under RFP 26-004A, but the proposal should not assume that My First Home funds will be available to finance individual tenants' cooperative share purchases.

RFP 26-004A states, regarding Joint Offers/Subconsultants: "Where two (2) or more Proposers desire to submit a single proposal in response to this RFP, they should do so on a prime sub-consultant basis. The City intends to contract with a single firm, also known as the prime, and not with multiple firms doing

business as a joint venture. Should the use of sub-consultants be offered, the Proposer shall provide the same assurances of competence for the sub-consultant plus the demonstrated ability to manage and supervise the subcontracted work. Sub-consultants shall not be allowed to further subcontract with others for work under the Agreement. The provisions of the pre-loan commitment shall apply to all sub-consultants in the same manner as the Proposer. The Proposer is responsible for all the actions taken by their subcontractor.” THRIVE Santa Ana intends to submit a proposal in partnership with an experienced affordable housing developer, and is currently in conversation with agencies who have collaborated with THRIVE in the past. Is it acceptable to the City for THRIVE to apply as the prime applicant, with the experienced developer fulfilling a supportive, oversight role, particularly in areas requiring greater development expertise (e.g. income qualification, development oversight, financing and project management)?

THRIVE Santa Ana may participate in a proposal with an experienced affordable housing developer; however, THRIVE would not qualify to serve as the prime Proposer if it does not independently satisfy the RFP’s minimum qualification requiring at least five years of recent experience developing affordable housing projects similar to the proposed project. The experience of a subconsultant or development partner may strengthen the overall development team, but it does not substitute for a minimum qualification that applies to the prime Proposer.

Accordingly, the City recommends that the experienced affordable housing developer that satisfies the RFP’s minimum qualifications submit as the prime Proposer, with THRIVE participating as a development partner.

Acquisition Fund – Would the City be open to a proposal for use of Inclusionary Housing (City) funds for the creation of a Community Land Trust acquisition fund? Such a proposal would involve releasing funds to an interest-bearing account, to be available for CLT projects in the City on a revolving basis.

RFP 26-004A is structured to provide City affordable housing funds for specific affordable housing development projects, including acquisition and rehabilitation, conversion, new construction, and other eligible development activities. The RFP requires each proposal to identify a proposed project, development costs, City funds requested, sources and uses, and other project-specific information.

Accordingly, the City would not consider a proposal under this RFP that would capitalize a general revolving Community Land Trust acquisition fund or place City funds into an account for future, unidentified projects. However, THRIVE and an experienced affordable housing development partner may submit a proposal requesting Inclusionary Housing Funds for the acquisition and development of a specific eligible property or project in accordance with the RFP and the City’s Affordable Housing Funds Policies and Procedures. Inclusionary Housing Funds expressly permit acquisition and rehabilitation of eligible properties for affordable rental or ownership housing.