



## Agenda Report

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**Item #: 24-283**

**Meeting Date: 07/16/2024**

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**TITLE: OPTION TO LEASE AGREEMENT TO CONSTRUCT AND OPERATE A 70-UNIT AFFORDABLE SENIOR AND SUPPORTIVE HOUSING PROJECT LOCATED AT THE CITY'S SENIOR CENTER, 695 WEST 19TH STREET**

**DEPARTMENT: ECONOMIC AND DEVELOPMENT SERVICES DEPARTMENT/PLANNING DIVISION**

**PRESENTED BY: VICTOR MENDEZ, SENIOR PLANNER**

**CONTACT INFORMATION: VICTOR MENDEZ, SENIOR PLANNER, (714) 754-5276**

**RECOMMENDATION:**

Staff recommends the City Council review and approve the proposed "Option to Lease Agreement" for a term that will expire on October 31, 2024, with one possible 120 day extension. The purpose of the agreement is for Jamboree Housing to apply for Project-Based Vouchers issued by the County of Orange.

**BACKGROUND:**

The property is located within the 19 West Urban Plan. Existing development on the subject property includes the City of Costa Mesa Senior Center which was constructed in the 1990s (approved under Conditional Use Permit PA-90-60). The Senior Center is an approximate 20,000-square-foot, two-story building with a 145 space surface parking lot. The original vision and concept for the Senior Center several decades ago included a senior housing component with 46 units. However, at the time of development, the City Council decided to not proceed with the senior housing component.

The proposed development would include a new 70-unit senior residential building to be developed on a portion of the Senior Center's existing surface parking lot. The project does not propose any changes to the existing Senior Center building.

On July 21, 2020, the City Council approved an Exclusive Negotiating Agreement (ENA) with Jamboree Housing Corporation (JHC) to study and determine the feasibility for the right to acquire a long-term leasehold for an affordable senior housing project to be developed on a portion of the City's Senior Center parking lot. JHC is a non-profit affordable housing developer that has developed nearly 100 affordable housing projects throughout California. The ENA term was approved for a one-year period with an allowed 120-day extension. Although a 120-day extension was granted by the City, the ENA expired in 2022. Staff continued to work diligently with JHC to submit for entitlements.

The July 21, 2020 agenda report and meeting video are provided in the links below:

July 21, 2020 City Council Agenda Report:

<http://ftp.costamesaca.gov/costamesaca/council/agenda/2020/2020-07-21/NB-5.pdf>

July 21, 2020 City Council Meeting Video:

[https://costamesa.granicus.com/player/clip/3578?view\\_id=10&redirect=true&h=c234f40997ffc17e74bd793e125b476f](https://costamesa.granicus.com/player/clip/3578?view_id=10&redirect=true&h=c234f40997ffc17e74bd793e125b476f)

On February 20, 2024, the City Council reviewed a project screening for the proposed senior and supportive housing development, in accordance with the 19 West Urban Plan. The purpose of the screening review is to receive City Council comments on the merits and appropriateness of the proposed development before the applicant submits the formal planning application(s). The City Council indicated that they supported the project moving forward with a suggestion that JHC consider adding more residential units. The project application has been submitted and staff and the applicant are currently working to complete the project application for review by the Planning Commission and the City Council.

As currently proposed, the JHC project includes a 41,592 square-foot, four-story building with a total of 70 residential units. The development focuses on providing affordable housing for seniors, offering primarily one-bedroom units and several two-bedroom units, including one unit designated for the site manager. The units, excluding the manager's unit, will be available to seniors with income levels ranging from 30% to 60% of the Area Median Income (AMI). Out of the 70 units, 34 are proposed as permanent supportive housing for seniors. Ground-level amenities facing 19th Street will include office spaces, a community room, media lounge, and a dog run, with podium parking located behind. Above the ground floor, the project proposes an outdoor courtyard, fitness center, laundry room, and library. The current site has 145 parking spaces available. However, due to the building's placement on a portion of the parking lot, the number of parking spaces will be reduced to 133.

### **ANALYSIS:**

Jamboree Housing Corporation is in the competitive process of responding to a Notice of Funding Availability (NOFA) issued by the County of Orange for "Project Based Vouchers" (PBVs) for the proposed housing project. JHC is applying for 34 PBV's. The PBV's are critical for the financial feasibility of the project as they allow the project to leverage additional funding while targeting the low-income senior population that this project will serve. One of the threshold criteria to qualify for this funding application is the need to demonstrate site control. At this time, JHC cannot demonstrate site control since the ENA has expired. The Option to Lease is a mechanism to demonstrate site control without a fully negotiated "Ground Lease". To ensure adequate time for the necessary discussions and approvals, staff is also recommending that the City Manager be authorized to extend the Option to Lease once for the maximum period of one-hundred twenty (120) days. The final lease and affordable housing agreement is subject to City Council approval and will be brought to Council concurrently with the final review of the project. According to the JHC applicant team, PBV funding is now in the third application review period and this project will be competing for funding with projects throughout the County. JHC has stated that securing vouchers is a critical initial step in the financing process because it qualifies them to apply for subsequent public funding as it becomes available.

***California Environmental Quality Act (CEQA)***

The City Council review of the option to lease is exempt from environmental review under the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines Section 15061(b)(3) (General Rule), in that there is no possibility that the approval of the option to lease will have a significant impact on the environment. When the proposed project moves forward and the applicant completes a formal planning application, the project is subject to environmental review pursuant to the California Environmental Quality Act. Staff will review the proposed project, including a site lease, based on a comprehensive evaluation of the project impacts as required by State Law. It is also possible that current State Law exempts the affordable housing project from environmental review pursuant to Government Code Section 15194 or other regulations, if it complies with certain criteria based on, but not limited to, project size and location.

**ALTERNATIVES:**

The City Council can approve the proposed option to lease agreement, or not approve the agreement. If the option to lease agreement is not approved, development of the project could be subject to significant delays in that funding would not be available at the time the project receives local approval.

**FISCAL REVIEW:**

There is no fiscal impact to the City associated with the proposed option to lease agreement.

**LEGAL REVIEW:**

The City Attorney’s Office has reviewed this report and option to lease agreement and approves them as to form.

**CITY COUNCIL GOALS AND PRIORITIES:**

- Diversify, stabilize and increase housing to reflect community needs.

**CONCLUSION:**

Public funding is a critical component of the development of affordable and supportive housing. JHC has requested the approval of the option to lease agreement to obtain this funding and apply for other sources to fund the project development. The option to lease agreement does not obligate the City to approve any site negotiation aspects, but instead allows for JHC to obtain project funding that could be available at the time of construction. In addition, the City’s approved Housing Element Program 2D includes an objective to pursue opportunities for senior housing on the City’s Senior Center site.