



AGENDA STAFF REPORT

Control: 26001156

MEETING DATE: 05/19/2026

LEGAL ENTITY TAKING ACTION: Board of Supervisors

BOARD OF SUPERVISORS DISTRICT(S): District 5

SUBMITTING AGENCY/DEPARTMENT: OC Community Resources

DEPARTMENT CONTACT PERSON(S): Dylan Wright, 714-480-2788
Julia Bidwell, 714-480-2991

SUBJECT: Approve Avon River Apartments (formerly 1400 Bristol) Additional Loan Request

CEO CONCUR	COUNTY COUNSEL REVIEW	CLERK OF THE BOARD
Concur	No Legal Objection	DISCUSSION
		3 Votes Board Majority

Budgeted: No	Current Year Cost: N/A	Annual Cost: N/A
Staffing Impact: No		Sole Source: No
Current Fiscal Year Revenue: N/A	Funding Source: See Financial Impact Section	County Audit in Last 3 years: No
Levine Act Review Completed? Yes		

Prior Board Action: 2/10/2026 #S30B, 12/16/2025 #S28G, 12/17/2024 #S31C, 7/18/2023 #S29N

RECOMMENDED ACTION(S):

1. Authorize the OC Community Resources Director or designee to utilize up to \$4,100,000 for construction-to-permanent loan financing using Fund 15G Reserves as outlined in the Financial Impact Section to American Family Housing for the development of Avon River Apartments, located at 1400 Bristol, in Costa Mesa, in accordance with the 2026 Supportive Housing Notice of Funding Availability guidelines and policy.
2. Approve up to \$1,314,544 of the \$4,100,000 using Fund 15G Reserves to be structured as a 15-year amortized loan repaid to the County of Orange on an annual basis, subject to contingencies outlined in this Agenda Staff Report.
3. Approve an increase to the previously approved capital loan commitment to American Family Housing in the amount of \$6,781,520 by \$4,100,000, for a total amount not to exceed \$10,881,520, using Fund 15G Reserves as outlined in the Financial Impact Section, subject to contingencies outlined in this Agenda Staff Report.
4. Approve the increased capital loan commitments to American Family Housing with a per unit loan limit of approximately \$265,833 for eight studio units and \$270,833 for 16 one-bedroom units, exceeding the \$95,000 studio and \$100,000 one-bedroom per unit non-Mental Health Services Act

loan limits under the 2026 Supportive Housing Notice of Funding Availability, subject to contingencies outlined in this Agenda Staff Report.

5. Authorize the OC Community Resources Director or designee to execute subordination agreements; standard set of loan documents for the amortized loan using Fund 15G Reserve; amendments to standard set of loan documents and restrictive covenants to the Fund 15G Reserves loan documents solely to increase the total approved funding amount and other ministerial, non-substantive changes; escrow instructions, and such additional agreements, contracts, instructions and instruments necessary or appropriate to effectuate the funding approval, subject to approval as to form by County Counsel.

SUMMARY:

Approval of the additional County loan commitment for Avon River Apartments, located at 1400 Bristol in Costa Mesa, will help support the development of supportive housing in Orange County.

BACKGROUND INFORMATION:

Building on the success of the first two rounds of Homekey, the Homekey Program Round 3 (Homekey) is a state grant funding program administered by the California Department of Housing and Community Development (State HCD). Approximately \$850 million in grant funding was made available statewide as part of the Round 3 Notice of Funding Availability (NOFA) and its subsequent amendment. This funding supports the state’s ongoing effort to rapidly expand housing for persons experiencing homelessness or at risk of homelessness and who are inherently impacted by or at increased risk due to the COVID-19 pandemic.

In Rounds 1 and 2 of Homekey, the County of Orange (County) was awarded five Homekey projects totaling more than \$54.21 million, resulting in the creation of 306 Permanent Supportive Housing (PSH) units.

On July 18, 2023, the Board of Supervisors (Board) approved the selection of Avon River (formerly known as 1400 Bristol) (Development) for utilization of 48 Veterans Affairs Supportive Housing (VASH), Mainstream and/or Housing Choice Voucher (HCV) Program: Project-Based Vouchers (PBVs) as well as up to \$6,781,520 for construction-to permanent-loan financing to American Family Housing (AFH). The Board also approved the submission of the Development for Homekey funding, which was later awarded \$28,261,300 in funding. AFH is a Co-Grantee to the Homekey funding and the developer, operator, and lead service provider for the Development.

On December 17, 2024, the Board authorized the purchase of the property located at 1400 Bristol in Costa Mesa using Homekey grant funds and approved the Ground Lease Agreement with AFH. Pursuant to Homekey requirements and the Standard Agreement, AFH will complete the rehabilitation of the Development by July 2026.

The Development is a “straight-to-permanent housing” Homekey project involving the acquisition, rehabilitation and conversion of an existing 120-room Travelodge motel into 78 units of affordable rental housing, to be operated by AFH. This Development includes 76 units of PSH that will target individuals who are experiencing homelessness, chronic homelessness or at-risk of homelessness earning no more than 30 percent of the Area Median Income (AMI) with 24 units designated for individuals who also meet the Mental Health Services Act (MHSA) eligibility criteria, and two manager's units.

All 76 units will be restricted by the County at or below 30 percent AMI for 55 years as required under the Homekey. Forty-eight of those units will receive capital funding and PBVs from the County. Sixteen units will also be restricted at 30 percent AMI by the City of Costa Mesa and the remaining 12 of the units will be restricted at 30 percent AMI by the City of Newport Beach. All restricted units will be subject to referrals through the County's Coordinated Entry System.

On February 10, 2026, the Board approved the recommended changes in policy and process for the 2026 Supportive Housing Notice of Funding Availability (2026 NOFA) and authorized the OC Community Resources (OCCR) Director or designee to issue the 2026 NOFA making up to \$20.9 million in funding and up to 100 PBVs available for the development of extremely low-income housing and return to the Board for funding commitments to individual projects.

Additional Funding Request for Gap Financing

The Development is currently undergoing conversion into PSH, including façade improvements, unit reconfiguration, addition of kitchenettes and electrical upgrades. During rehabilitation, several unforeseen conditions emerged tied to water servicing, termite damage and roofing issues. These issues resulted in a funding gap of approximately \$6,969,355. To address this shortfall, the Developer applied for other funding sources, including the City of Costa Mesa, CalOptima Health, the Homeless Housing, Assistance and Prevention (HHAP) Program funding allocated to the Orange County Continuum of Care (CoC), and deferred additional developer fees. The Developer also sought available funding from the City of Newport Beach and applied to the Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) but was unsuccessful. The Developer is now seeking additional financial assistance from the County of \$4.1 million to close the remaining gap.

On December 16, 2025, the Board approved HHAP Program funds to AFH in an amount not to exceed \$2,842,034 through a competitive Request for Proposals (RFP). Of this amount, \$687,034 was allocated to Avon River Apartments for construction gap financing, with the remaining funds awarded to Casa Colibri Apartments (formerly 15081 Jackson), a 65-unit affordable housing community located in Midway City, unincorporated County.

The Cities of Costa Mesa and Newport Beach originally approved loans and grants of \$4 million and \$3 million, respectively, for the Development. The City of Costa Mesa provided an additional \$350,000 to partially finance the gap. Additionally, the Developer applied for CalOptima Health funding and was awarded an additional \$500,000— bringing the total CalOptima Health funding to \$981,660—and deferred \$1,221,654 at construction financing and \$1,030,069 at permanent financing in developer fee.

OCCR is requesting approval to commit an additional \$4.1 million to supplement the previously approved \$6,781,520 for the Development, for a total of up to \$10,881,520, to fill the remaining gap. The \$4.1 million is recommended to be filled with Fund 15G Reserves, which combined with the previously approved \$2.36 million in Fund 15G Reserves, brings the total of Fund 15G Reserves contribution to \$6.46 million. Of the additional \$4.1 million loan, \$1,314,544 will be structured as a 15-year amortized loan with annual payments to the County. The Developer is unable to pursue an additional conventional permanent loan to fund this gap because that action would trigger a lengthy approval process with State HCD. A conventional permanent loan could also increase the funding gap as there would very likely be additional origination costs, legal fees and other expenses associated with new financing. By structuring a portion of the additional funding as an amortized loan and combining it with the additional City, County, and CalOptima Health

funds, the Development can complete construction in July 2026 to meet State HCD’s Homekey Program deadline.

Under the 2026 NOFA policy, the maximum per-unit loan limits are \$95,000 for studios and \$100,000 for one-bedroom units (non-MHSA). Due to the Development’s funding gap, limited available resources and fast approaching deadline to complete construction by July 2026, OCCR recommends exceeding the allowable per unit loan limits and underwriting the Development with approximately \$265,833 for eight studio units and \$270,833 for 16 one-bedroom units for households experiencing homelessness.

Below are the updated financial summary highlights of the Construction and Permanent Financing phase of the Development (based on lien priority):

Construction Source of Funds	Funding Amount
County of Orange (Fund 15G Reserves) (amortized loan from current request) - Capital Loan	\$1,314,544
County of Orange (MHSA) - Capital Loan	\$4,421,520
County of Orange (Fund 15G Reserves) (remaining portion of current request plus previously approved funding) - Capital Loan	\$5,145,456
City of Costa Mesa	\$4,350,000
City of Newport Beach	\$3,000,000
CalOptima Health	\$981,660
State HCD Homekey Program	\$28,261,300
County of Orange (HHAP)	\$687,034
Deferred Developer Fee	\$1,221,654
Reserves Deferred Until Completion	\$447,465
Total Sources of Funds	\$49,830,633

Permanent Sources of Funds	Funding Amount
County of Orange (Fund 15G Reserves) (amortized loan from current request) - Capital Loan	\$1,314,544
County of Orange (MHSA) - Capital Loan	\$4,421,520
County of Orange (Fund 15G Reserves) (remaining portion of current request plus previously approved funding) - Capital Loan	\$5,145,456
City of Costa Mesa	\$4,350,000
City of Newport Beach	\$3,000,000
CalOptima Health	\$981,660
State HCD Homekey Program	\$28,261,300
County of Orange (HHAP)	\$687,034
Deferred Developer Fee	\$1,030,609
Insurance Proceeds	\$400,000
Commercial Income during Construction	\$238,510
Total Sources of Funds	\$49,830,633

Note: Financing subject to change prior to construction and completion of Development. Underwriting guidelines are in accordance with 2026 NOFA.

Loan Terms:

Construction to Permanent Loan:	Up to \$1,314,544 (amortized loan from request of \$4.1 million)
Interest Rate:	3 percent simple
Term:	15 years beginning at the start of the Qualified Project Period
Security:	First Deed of Trust
Payments:	Amortized Loan

Construction to Permanent Loan:	Up to \$9,566,976 (including \$2,785,456 from the funding request of \$4.1 million)
Interest Rate:	3 percent simple
Term:	55 years beginning at the start of the Qualified Project Period
Security:	Second and Third Deeds of Trust
Payments:	Residual Receipts per the 2026 NOFA

Regional Housing Needs Allocation (RHNA)

Per Section 2.08 of the 2026 NOFA, the County will require Regional Housing Needs Allocation (RHNA) transfers or credits for developments funded with County local revenue and regional revenue, based on total number of County assisted units. The number of RHNA transfer or credit will be calculated on a pro-rata basis of County funds to City funds invested in the total number of County assisted units. For this Development, the County is providing additional funding for 24 units and will require RHNA share for 23 County restricted units, pursuant to the 2026 NOFA policies.

Commitment of the additional County loan is contingent upon the following:

1. Receipt and approval of final project development costs and revised final development proforma and financing plan (including cash flow analysis) to reflect all final funding approvals.
2. Approval by the City of Costa Mesa’s governing body of the transfer or credit of RHNA share for the 23 County-restricted units in accordance with Section 2.08 of the 2026 NOFA.

OCCR staff has provided an update on the Development’s financing plan and additional funding request to the Project Review Advisory Panel.

The PSH units in this Development are part of the 2,396 PSH units identified in the Housing Funding Strategy 2022 Update to address housing needs for individuals and households experiencing homelessness. As such, these 76 units of PSH will contribute to the progress of this effort and provide much needed supportive housing in the near future. Additionally, the 76 units of PSH will operate in alignment with the Housing Pillar’s best practices, guiding principles and commitments as detailed in the Homeless Service System Pillars Report.

Compliance with CEQA: This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines Section 15378 (Attachment A) and is therefore not subject to CEQA, since it does not have the potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. The approval of this agenda item does not commit the County to a definite course of action in regard to a project since it is for approval of

additional County loans for the Development and to allow the County's continued support of the production of supportive housing in Orange County. This proposed activity is therefore not subject to CEQA. Any future action connected to this approval that constitutes a project will be reviewed for compliance with CEQA.

Compliance with NEPA: Per 24 Code of Federal Regulations Part 58 (Attachment B), an Environmental Assessment of the project was completed and the Authority to Use Grant Funds was issued by HUD for the PBVs on November 17, 2023.

FINANCIAL IMPACT:

The loan commitments will only affect the notes receivable balance sheet accounts of the fund and do not require appropriations and is outside of the budget process. The current \$4.1 million request will be funded as a loan prior to or at construction completion (Fiscal Year 2025-26 or 2026-27) and will be funded with 100 percent Fund 15G Reserves.

STAFFING IMPACT:

N/A

REVIEWING AGENCIES/DEPARTMENTS:

Health Care Agency
Office of Care Coordination

ATTACHMENTS:

Attachment A – California Code of Regulations Title 14 Section 15378
Attachment B – Code of Federal Regulations Title 24 Subtitle A Part 58