AGENDA STAFF REPORT

Control: 26-001455

MEETING DATE:	08/11/2026
LEGAL ENTITY TAKING ACTION:	Board of Supervisors and Orange County Housing Authority
BOARD OF SUPERVISORS DISTRICT(S):	District 4
SUBMITTING AGENCY/DEPARTMENT:	OC Community Resources
DEPARTMENT CONTACT PERSON(S):	Dylan Wright, 714-480-2788 Julia Bidwell, 714-480-2991

SUBJECT: Approve Loan and Project-Based Vouchers for Mercury Senior Apartments

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

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

Prior Board Action: 2/10/2026 #S30B

RECOMMENDED ACTION(S):

Acting as the Board of Supervisors and as the Board of Commissioners to the Orange County Housing Authority, acting in its capacity as Housing Successor Agency:

1. Authorize the OC Community Resources Director or designee to utilize up to $1,375,000 in Housing Successor Agency funds for loan financing as outlined in the Financial Impact Section for Mercury Brea LP, a limited partnership formed by C&C Development Co., LLC, the co-managing general partner with a second managing general partner to be determined, for the development of Mercury Senior Apartments, an 85-unit affordable housing development located at the southeast corner of Berry Street and Mercury Lane in the City of Brea, in accordance with the 2026 Supportive Housing Notice of Funding Availability guidelines and policy.

2. Approve a loan commitment to Mercury Brea LP, a limited partnership, in an amount not to exceed $1,375,000, subject to contingencies outlined in this Agenda Staff Report.

3. Approve subordination of up to $1,375,000 County loan at construction financing to a first trust deed loan of approximately $11,500,000 and a second trust deed loan of $13,237,739, with authority to increase the subordination amount up to 20 percent due to construction cost

increases, and at permanent financing to a first trust deed loan of approximately $17,732,630, as described in this Agenda Staff Report and authorize the OC Community Resources Director or designee to subordinate to additional senior debt up to 100 percent of the cumulative loan to value based on the as-built appraised market value, if necessary, due to future changes in the project financing.

4. Authorize the OC Community Resources Director or designee to execute subordination agreements; standard loan documents and restrictive covenants; and any additional agreements, contracts, instructions and instruments necessary or appropriate for construction and permanent loan financing.

Acting as the Board of Commissioners to the Orange County Housing Authority:

5. Approve the selection of Mercury Senior Apartments for the utilization of eight Project-Based Vouchers in accordance with the Orange County Housing Authority Administrative Plan and authorize the execution of related documents, instruments and agreements.

6. Authorize the Executive Director of the Orange County Housing Authority or designee to execute agreements related to the commitment of the U.S. Department of Housing and Urban Development Project-Based Vouchers for Mercury Senior Apartments, provided the commitment incorporates business and financial terms, is subject to the contingencies in this Agenda Staff Report, and is approved as to form by County Counsel.

SUMMARY:

Approval of the County loan, commitment of eight Project-Based Vouchers, and subordination of the County loan to senior debt for Mercury Senior Apartments will help support the production of permanent supportive housing in Orange County.

BACKGROUND INFORMATION:

On February 10, 2026, the Board of Supervisors (Board) approved changes to 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 and up to 100 Project-Based Vouchers (PBVs) available for the development of extremely low-income housing and return to the Board for funding commitments to individual projects.

Mercury Brea LP, a limited partnership formed by C&C Development Co., LLC (Developer) responded to the 2026 NOFA with a funding application requesting up to $1.375 million in capital funding and eight PBVs for a proposed 85-unit affordable and permanent supportive housing development. Mercury Senior Apartments (Development) will be located at the southeast corner of Berry Street and Mercury Lane in the City of Brea (City).

The Developer will serve as the co-managing general partner with a second managing general partner to be determined. The Developer has been developing affordable housing in Orange County since 1990 and has produced over 3,200 rental homes throughout California. The developments have ranged from large multifamily communities, scattered site acquisitions and the adaptive reuse of hotels and motels.

The proposed Development will consist of a five-story building with 68 one-bedroom and 17 two-bedroom units (including one unrestricted two-bedroom unit for property management) intended to serve very low to low-income households with incomes up to 70 percent of the area median income (AMI). Ten units will be restricted by the County of Orange (County) to serve individuals who are experiencing homelessness with incomes at 30 percent AMI, with eight of those units subsidized by PBVs from the Orange County Housing Authority (OCHA).

In addition to office and meeting spaces for property management and service providers, onsite amenities include 63 parking spaces, an outdoor patio, a fitness room, a bike room and other open and passive spaces.

Onsite property management services will be provided by Advanced Property Services Management, Inc., a wholly owned subsidiary of the Developer, who will handle the maintenance, operations, property accounting, tenant oversight and navigations services. All residents will receive social services from Life Skills Training and Educational Programs, Inc., which includes services such as life skills training and financial literacy, health and wellness programs and substance abuse counseling and treatment.

Construction/Permanent Financing and PBVs

The Developer is requesting a construction to permanent loan under the 2026 NOFA in an amount up to $1.375 million. in Housing Successor Agency (HSA) funds. The County loan will be made available to the project at construction financing and subordinate to financing as outlined in the financial summary below.

At construction financing, the County will close on its loan and is requesting authorization to increase the subordination amount up to 20 percent if there is an increase in construction costs. OCCR also requests authorization to subordinate additional senior debt up to 100 percent of the cumulative loan-to-value, based on the as-built appraised market value, if necessary, based on any future changes in project financing. In determining the maximum additional senior debt to which the County will subordinate its loans, OCCR will calculate the senior debt plus the County loans and subtract that total from the current (within last six months) as-built appraised market value. If the current as-built appraised market value exceeds the cumulative senior debt plus the County loans, the County may subordinate additional senior debt, if necessary, for the viability of the project.

The Developer is also requesting eight PBVs to be available to eight one-bedroom units in the Development after construction is completed and a Certificate of Occupancy is issued. These PBVs will be guaranteed for 20 years, consistent with the U.S. Department of Housing and Urban Development (HUD) regulations and will provide rental subsidies to eight of the units restricted to 30 percent AMI by the County.

The Developer has applied for and received a tax credit award for this Development and upon approval of the County loan and PBVs request, the Developer intends on closing on the tax credit and bond financing in October 2026.

Below are the financial summary highlights of the Construction and Permanent Financing phase of the Development:

Construction Source of Funds	Funding Amount
Construction Loan (Tax Exempt)	$11,500,000
Construction Loan (Taxable)	$11,715,206
Recycled Bonds	$9,000,000
County of Orange (HSA funds)	$1,375,000
City– Development Loan	$2,331,800

City– Impact Fee Loan	$659,311
Deferred Developer Fee	$3,957,695
General Partner Equity	$100
Tax Credit Equity	$1,777,516
Other Costs Deferred Until Completion	$957,865
Developer Fee Deferred until completion	$557,200
Total Sources of Funds	**$43,831,693**

Permanent Sources of Funds	Funding Amount
Conventional Loan (Tax-Exempt)	$17,732,630
County of Orange (HSA funds)	$1,375,000
City– Development Loan	$2,331,800
City– Impact Fee Loan	$659,311
Deferred Developer Fee	$3,957,695
General Partner Equity	$100
Tax Credit Equity	$17,775,157
Total Sources of Funds	**$43,831,693**

Construction Uses of Funds	
Acquisition	$2,188,974
Construction	$25,155,334
Architectural, Survey, Engineering	$775,000
Loan Interest & Fees	$3,785,791
Permanent Financing	$222,586
Legal/ Third Party Fees	$304,279
Reserves	$468,400
Construction Hard and Soft Cost Contingency	$2,842,351
Other costs	$2,827,152
Developer Fee	$5,155,026
Syndication Expenses	$106,800
Total Costs	**$43,831,693**

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

Loan Terms

Construction and Permanent Loan:	Up to $1,375,000 in HSA funds
Interest Rate:	Three percent simple
Term:	55 years from Qualified Project Period
Security:	Fourth Deed of Trust at Construction and Second Deed of Trust at Permanent Financing
Payments:	Residual Receipts per the 2026 NOFA

The County will record rent and occupancy restrictions on ten one-bedroom units for individuals experiencing homelessness earning 30 percent AMI for a period of 55 years via a regulatory agreement, which will not be subordinated to any conventional deed of trust. The specific rent and occupancy restrictions may ultimately change based on the final financing structure of the Development, but in no circumstance shall restrictions be less than 30 percent AMI for the units subsidized by the PBVs.

Regional Housing Needs Allocation (RHNA) Credit

Per Section 2.08 of the 2026 NOFA, for developments funded with County local funding or revenue (such as General Fund, Housing Successor Agency, or 15G Reserves funds), the County requires acceptance of a RHNA credit transfer from the County's allocation to the city's allocation or credits toward the County's existing RHNA obligation, calculated on a pro-rata basis of County funds to City funds invested in the total number of County assisted units. This transfer must be approved by the city in which the development is located. For this Development, the County will require RHNA share for nine County assisted units, pursuant to the 2026 NOFA policies. The Developer is working with the City on a Memorandum of Agreement (MOA) to share credit between the City and the County.

Commitment of the County loan and commitment of the eight PBVs are contingent upon the following:

1. Completion and approval of California Environmental Quality Act (CEQA), as applicable, and satisfactory completion of an Environmental Review under the National Environmental Policy Act (NEPA) with receipt of an approval of the request for release of funds and certification from HUD under 24 CFR Part 58
2. Approval by the City's governing body and execution of the MOA for RHNA share of the nine County-assisted units in accordance with Section 2.08 of the 2026 NOFA.
3. Evidence of commitment of all construction and permanent financing sources, including the tax credit award.
4. Receipt and approval of final Development costs and development proforma and financing plan (including cash flow analysis) to reflect all final funding approvals.
5. Notification to County any subsequent Co-Developer, if applicable, added to the Development team and documentation of formation of any partnership structure and related organizational changes upon completion of the financing plan.

The Project Review Advisory Panel approved OCCR staff recommendation to pass project on underwriting at their June 11, 2026, meeting.

The permanent supportive housing units in the Development are part of the 2,396 permanent supportive housing units identified in the Housing Funding Strategy 2022 Update to address housing needs for individuals and households experiencing homelessness. As such, these units of supportive housing will contribute to the progress of this effort and provide much needed supportive housing in the near future. Additionally, the ten units of supportive housing units will follow the best practices, guiding principles and commitments of the Homeless Service System Pillars Report which was created by the Commission to Address Homelessness.

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 an approval of

County loan, commitment of eight PBVs, subordination of the County loan to senior debt 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: In accordance with 24 Code of Federal Regulations Part 58 (Attachment B), an Environmental Assessment of the project is being compiled and will be submitted to HUD for approval upon completion.

FINANCIAL IMPACT:

The loan commitment will only affect the notes receivable balance sheet accounts. The $1.375 million loan will be available at construction closing anticipated in October 2026 (FY 2026-27). The loan will be funded with 100 percent Housing Successor Agency funds in Housing Asset Fund 170.

STAFFING IMPACT:

N/A

REVIEWING AGENCIES/DEPARTMENTS:

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