



AGENDA STAFF REPORT

Control: 26001245

MEETING DATE: 05/19/2026

LEGAL ENTITY TAKING ACTION: Orange County Housing Authority

BOARD OF SUPERVISORS DISTRICT(S): District 2 and District 4

SUBMITTING AGENCY/DEPARTMENT: OC Community Resources

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

SUBJECT: Approve Standstill Agreements for Heritage Place and Fullerton City Lights

CEO CONCUR	COUNTY COUNSEL REVIEW	CLERK OF THE BOARD
Concur	Approve agreement to form	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? Yes		

Prior Board Action: 2/27/2024 #7, 9/24/2019 #24, 11/14/2017 #28

RECOMMENDED ACTION(S):

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

1. Approve the Stand Still Agreement by and among the Orange County Housing Authority, Tustin Heritage Place, L.P., and CBRE Multifamily Capital, Inc. for Heritage Place at Tustin Senior Apartments (Attachment A).
2. Approve the Standstill Agreement by and among Orange County Housing Authority, Post FCL, LP, and CBRE Multifamily Capital, Inc. for Fullerton City Lights (Attachment B).
3. Authorize the Executive Director of the Orange County Housing Authority or designee to execute the Heritage Place at Tustin Senior Apartments Standstill Agreement (Attachment A) and Fullerton City Lights Standstill Agreement (Attachment B), and as further approved as to form by County Counsel.

SUMMARY:

Approval of the Standstill Agreements related to Heritage Place at Tustin Senior Apartments and Fullerton City Lights will support long-term financial stability for 188 affordable housing units serving low-income households and seniors in Orange County.

BACKGROUND INFORMATION:

This Agenda Staff Report requests approval from the Board of Supervisors (Board) acting as the Board of Commissioners to the Orange County Housing Authority (OCHA), to execute Standstill Agreements required by refinance lenders for two existing affordable housing developments: Heritage Place at Tustin Senior Apartments and Fullerton City Lights. These actions support the continued preservation, regulatory compliance, and long-term financial stability of both OCHA-assisted properties. In both cases, the OCHA Regulatory Agreements are recorded on title in senior positions and were originally subordinated to the initial senior mortgage lenders. However, the current County of Orange (County) policy under the OC Community Resources (OCCR) Notice of Funding Availability does not allow its Regulatory Agreements to be subordinated to a conventional senior mortgage lender. Therefore, in lieu of a Subordination Agreement, the refinance lender is requiring a Standstill Agreement as a condition of loan closing to comply with the Federal National Mortgage Association (Fannie Mae) program requirements to protect its senior lien priority and establish a shared understanding among all parties for addressing any future regulatory defaults.

A Standstill Agreement is a legally binding contract in which one or more parties agree to pause or delay exercising certain rights or actions for a specified period of time. Its main purpose is to preserve the status quo – in this case, allowing the senior/refinance lenders time to take corrective action or cure defaults without interference from the County.

Heritage Place at Tustin Senior Apartments:

On February 6, 2001, the Board approved an OCHA loan of \$541,903 in OCHA Reserve Funds to Tustin Heritage Place, L.P. (Tustin Partnership) for the construction of the 54-unit Heritage Place at Tustin Senior Apartments (Heritage Place) housing development, located at 1101 Sycamore Avenue in the City of Tustin. Heritage Place is an apartment community with 42 one-bedroom units and 11 two-bedroom units dedicated to serving low and very low-income seniors and one two-bedroom unit reserved for an onsite property manager. All units are restricted between 35 percent to 60 percent of the Area Median Income (AMI) rent levels by the County via a recorded Regulatory Agreement dated August 15, 2006 (OCHA Regulatory Agreement), for a term of 55 years and will remain affordable through August 15, 2061.

On May 11, 2004, the Board approved the substitution of Riverside Charitable Corporation as the new managing general partner of the Partnership, a change in the property management company from American Senior Care, Inc. to USA Multifamily Management, Inc., and the subordination of the OCHA Loan to second position on title. On February 27, 2024, the Board approved substitution of AH SUBGP 1092 Tustin LLC as the new Administrative General Partner of the Partnership and a change in the property management company from USA Multifamily Management, Inc. to Cirrus Asset Management, Inc.

Organization Chart:	
Tustin Heritage Place, L.P.	
AH SUBGP 1092 Tustin LLC (Administrative General Partner)	Riverside Charitable Corporation (Managing General Partner)

The Tustin Partnership is currently in the process of refinancing the current first mortgage loan on the property to improve the property’s financing and setting aside certain amounts as required by the California Tax Credit Allocation Committee for future repairs and improvements to the property. The new first mortgage loan would initially be made by CBRE Multifamily Capital, Inc. (CBRE), National Association, a national banking association, and subsequently assigned to Fannie Mae and CBRE, collectively, the “Refinance Lender” for Heritage Place, shortly thereafter. The new loan will continue to be serviced by CBRE. At the time of the new loan closing, the Tustin Partnership will repay the OCHA Loan in full (current balance of approximately \$690,600). The OCHA Regulatory Agreement will survive repayment of the loan and will continue to encumber the property through 2061.

As a condition for loan closing, the Refinance Lender for Heritage Place requires the County to approve and execute a Stand Still Agreement (Standstill Agreement) related to the OCHA Regulatory Agreement. The Standstill Agreement requires OCHA to provide notice to the Refinance Lender of any event of default and establishes a 60-day standstill period before OCHA may exercise its rights or take certain actions under the OCHA Regulatory Agreement.

Specifically, OCHA would temporarily forbear from exercising the following remedies:

- Section 4 - replacement of the management agent for the property;
- Section 5 - entering the property to perform all acts and work necessary to protect, maintain and preserve the improvements and landscaped areas on the property;
- Section 13 - requiring specific performance or curing any borrower default.

During the standstill period, the Refinance Lender for Heritage Place has a vested financial interest in the property’s viability and would like the first opportunity to take any necessary corrective actions to ensure proper management and maintenance of the property. CBRE and Fannie Mae are prominent, national, institutional real estate lenders and investors with a long history of providing and protecting affordable housing nationwide. As such, the Refinance Lender would be strongly positioned to effectuate these rights in a timely and efficient manner prior to the County’s involvement.

Delaying or denying Board approval of the Standstill Agreement would be costly to the Tustin Partnership and would delay OCHA’s receipt of repayment of the OCHA Loan.

The OCHA Loan is current, and the Tustin Partnership is not in default. Heritage Place is operating in compliance with its regulatory agreement. OCCR staff recommends approval of the Standstill Agreement.

Fullerton City Lights:

On April 12, 1994, the Board approved an OCHA loan commitment of \$900,000 in OCHA Reserve Funds for the Fullerton Single Room Occupancy Residential Hotel (Fullerton City Lights), a 137-unit project located in the City of Fullerton.

The following summarizes the Board’s subsequent actions pertaining to this property.

Date	Board Action
February 6, 1996	The Board approved a change in name of the partnership from Fullerton Hotel Limited Partnership to 224 E. Commonwealth Apartments, a California Limited

	Partnership (Fullerton Partnership). The Board also approved the addition of Ajit Development and Investment, Inc. to the partnership and the withdrawal of Urban Counties from the Fullerton Partnership. Ajit Development and Investment, Inc. eventually changed the name of the organization from Ajit Development and Investment, Inc. to Advanced Development and Investment, Inc. (ADI).
April 30, 1996	The Board approved the withdrawal of Residential Hotel Corporation from the Fullerton Partnership.
July 24, 2001	The Board approved ADI's request to subordinate the County's Amended Loan Agreement, Deed of Trust and Regulatory Agreement for Fullerton City Lights to a new First Deed of Trust with California Community Reinvestment Corporation in the amount of \$1.06 million.
November 14, 2017	The Board approved subordination of the County's existing Regulatory Agreement to a new senior mortgage up to \$4.6 million. As part of the new financing, the Fullerton Partnership sold the project to Post FCL, LP (Post Partnership), and CARE Housing Services Corporation, the Managing General Partner, and Post FCL MM, LLC, the Co-General Partner of the Partnership and a subsidiary of Post and repaid the County loan.
September 24, 2019	The Board approved the substitution of Post FCL MM II, LLC, as new Co-General Partner, in place of Post FCL MM, LLC, for the Post Partnership.

Organization Chart:	
Post FCL, LP	
Post FCL MM II, LLC (Co-General Partner)	CARE Housing Services Corporation (Managing General Partner)

The Post Partnership is refinancing the existing first mortgage loan on the Fullerton City Lights property to improve long term financial stability. The new loan will also be originated by CBRE under the Fannie Mae DUS program and subsequently sold to Fannie Mae (CBRE and Fannie Mae, collectively, the Refinance Lender for Fullerton City Lights). The County's prior loan on the property has already been paid off, and the OCHA Regulatory Agreement recorded in 1996 will remain in place for at least 55 years and continue to encumber the property after closing. The property is being operated in compliance with all applicable regulatory agreements.

As a condition of closing, the Refinance Lender for Fullerton City Lights requires a Standstill Agreement with respect to the OCHA Regulatory Agreement. The Standstill Agreement requires OCHA to provide notice to the CBRE and Fannie Mae of any default and establishes a 180-day standstill period during which OCHA will temporarily refrain from exercising certain remedies under the Regulatory Agreement while the Refinance Lender for Fullerton City Lights is afforded the opportunity to pursue corrective action.

Similar to Tustin Heritage, CBRE and Fannie Mae have identified that provisions in Sections 7, 10, and 14 of the OCHA Regulatory Agreement for Fullerton City Lights do not comply with Fannie Mae's DUS Requirements. In order to proceed with the refinancing, CBRE and Fannie will require a 180-day temporary standstill period before OCHA may exercise its rights or take certain actions under the OCHA Regulatory Agreement.

Specifically, OCHA would temporarily forbear from exercising the following remedies:

- Section 7 - entering the property to perform all acts and work necessary to protect, maintain and preserve the improvements and landscaped areas on the property;
- Section 10 - replacement of the management agent for the property;
- Section 14 - option to purchase the property at fair market value during the qualified project period.

The Standstill Agreement does not remove or modify the affordability or operational requirements, and only establishes a defined cure period for CBRE and Fannie Mae. Due to the specific provisions in Section 14 that allows the County to purchase the property, an 180-day standstill period is required for Fullerton City Lights to ensure the refinance lenders have adequate time to cure any defaults prior to the County exercising its option to purchase.

Delaying Board approval of the Standstill Agreement could jeopardized the refinancing, result in higher long-term financing costs and limiting CBRE and Fannie Mae's ability to promptly address and cure potential management and operational issues. Board approval will support the long-term viability of the property.

The OCHA Loan is paid off, and Fullerton City Lights is operating in compliance with its regulatory agreement. OCCR staff recommends approval of the Standstill Agreement.

Compliance with CEQA: This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines Section 15378 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 an approval of Standstill Agreements related to Heritage Place at Tustin Senior Apartments and Fullerton City Lights to allow for the continued operation of 188 affordable housing units serving low-income households and seniors within 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: The proposed activity is exempt per 24 Code of Federal Regulations part 58.34 (a)(3).

FINANCIAL IMPACT:

N/A

STAFFING IMPACT:

N/A

REVIEWING AGENCIES/DEPARTMENTS:

Office of Care Coordination

ATTACHMENTS:

Attachment A - Heritage Place at Tustin Stand Still Agreement

Attachment B - Fullerton City Lights Standstill Agreement

Attachment C - Code of Federal Regulations Title 24 Part 58.34(a)(3)