REQUEST FOR COUNCIL/HOUSING AUTHORITY ACTION

CITY COUNCIL MEETING DATE: JULY 2, 2019

TITLE: FIRST AMENDMENT TO REGINA HOUSE LOAN AGREEMENT AND AFFORDABLE HOUSING COVENANTS TO MODIFY THE REGINA HOUSE TRANSITIONAL HOUSING PROGRAM TO BECOME A PERMANENT HOUSING FACILITY {STRATEGIC PLAN NO. 5, 3}

CITY MANAGER EXECUTIVE DIRECTOR

RECOMMENDED ACTION

CITY COUNCIL

Authorize the City Manager and the Clerk of the Council to execute a First Amendment to the Regina House Loan Agreement and Affordable Housing Covenants with Mercy House Living Centers, formerly known as Mercy House Transitional Living Centers, to modify the Regina House transitional housing program to become a permanent housing facility serving large families, subject to non-substantive changes approved by the City Manager and City Attorney.

HOUSING AUTHORITY

Authorize the Executive Director of the Housing Authority and the Recording Secretary to execute a First Amendment to the Regina House Loan Agreement and Affordable Housing Covenants with Mercy House Living Centers, formerly known as Mercy House Transitional Living Centers, to modify the Regina House transitional housing program to become a permanent housing facility serving large families, subject to non-substantive changes approved by the Executive Director of the Housing Authority and Authority General Counsel.

COMMUNITY REDEVELOPMENT AND HOUSING COMMISSION RECOMMENDATION

At its regular meeting on Jun 26, 2019, the Community Redevelopment and Housing Commission (CRHC) recommended approval of the action above by a vote of 8:0 (Garcia absent).
DISCUSSION

On April 11, 2006, the City of Santa Ana and the former Community Redevelopment Agency of the City of Santa Ana (RDA) entered into a Housing Development Loan Agreement and Affordable Housing Covenants with Mercy House Transitional Living Centers (Mercy House) for the rehabilitation of the Regina House Project located at 1505, 1507 and 1509 N. Bush Street, Santa Ana, CA. Mercy House has operated Regina House exclusively as a transitional housing program for homeless single women and their children within the community since 1994. At the time of the Loan Agreement in 2006, the City provided HOME Investment Partnerships Program (HOME) funds and RDA tax increment funds for the rehabilitation of the property. At the time of committing the HOME funds, the HOME Program allowed funds to be used for transitional housing. In accordance with the loan agreement and funding regulations, the City has continued to monitor Regina House to ensure compliance with the loan documents, regulations, and affordable housing covenants.

In July 2017, Mercy House began operation of the Family Care Center, a 56-bed year round emergency shelter located in the City of Orange that serves homeless families with children. The shelter is within a network of three other family shelters that have been created in Orange County over the past four years known as the Family Shelter Network. Additionally, in November of 2018, Mercy House was named as the operator of The Link, a 200-bed interim emergency shelter in the City of Santa Ana that provides beds for both homeless individuals and families.

The advent of these larger year-round shelters for families, has replaced the need for Mercy House to continue to operate Regina House as a transitional shelter. Furthermore, as demonstrated in the Business Plan and analysis of Orange County’s housing market (Exhibit 1), there is a strong need in the community for the development of affordable housing for low-income families, including those who were formerly homeless and have a number of barriers to secure housing. In order to address this need, “Regina House” will be modified to “Regina Residence” exclusively providing permanent housing with supportive services for low-income families. The Regina House Permanent Housing Program will be designed to provide low-income permanent housing with supportive services to two (2) large sized, low-income families. Mercy House staff will provide supportive services including case management, resource referrals, and life skills. Supportive services for residents will be provided on a voluntary basis; however, residents will be assertively and respectfully encouraged to participate in the supports and services available to them.

Mercy House now seeks to amend the Housing Development Loan Agreement and Affordable Housing Covenants to allow for the project to become permanent affordable housing with supportive services, instead of a transitional shelter (Exhibit 2). Although this amendment will reduce the number of transitional shelter beds in the City of Santa Ana, the key difference is that these beds are being converted into permanent supportive housing units for large families. There are less permanent supportive housing units in Santa Ana, relative to emergency shelter beds, and this amendment will create more opportunities to secure permanent supportive housing for those individuals and families who no longer need transitional housing.
STRATEGIC PLAN ALIGNMENT

The activities covered by this report allow the City to meet Goal # 5 (community Health, Livability, Engagement & Sustainability), Objective # 3 (facilitate diverse housing opportunities and support efforts to preserve and improve the livability of Santa Ana neighborhoods).

FISCAL IMPACT

There is no fiscal impact associated with this action.

Steven A. Mendoza
Executive Director
Community Development Agency

Exhibits: 1. Regina House Business Plan
2. First Amendment to Housing Development Loan Agreement and Affordable Housing Covenants
Business Plan

For Regina Residence
Permanent Housing Program

Submitted to the City of Santa Ana

6/11/2019

Plan to transition Regina House from its current state as a transitional shelter facility for homeless single mothers and their children to a facility exclusively providing permanent housing with supportive services for low-income families.
Executive Summary

On April 11, 2006, the City of Santa Ana and the former Community Redevelopment Agency of The City of Santa Ana (RDA) entered into a Housing Development Loan Agreement and Affordable Housing Covenants with Mercy House Transitional Living Centers (Mercy House) for the rehabilitation of the Regina House Project located at 1505, 1507 and 1509 N. Bush Street, Santa Ana, CA. Mercy House has operated Regina House exclusively as a transitional housing program for homeless single women and their children with in the community from since 1994. At the time of the loan agreement in 2006, the City provided HOME Investment Partnership Program (HOME Program) and RDA tax increment funds for the rehabilitation of the property.

In July 2018, Mercy House begun operation of the HomeAid Orange County Family CareCenter, a 56-bed year round emergency shelter located in the City of Orange that serves homeless families with children. The shelter is within a network of three other family shelters that have been created in Orange County over the past four years known as the Family Shelter Network.

The advent of these larger year round shelters for families has replaced the need for Mercy House to continue to operate Regina House as a transitional shelter. Furthermore, as demonstrated in the analysis of Orange County’s housing market, there is a strong need in the community for the development of affordable housing for low-income families including those who are formerly homeless and have a number of barriers to securing housing.

This document demonstrates Mercy House’s plan to modify Regina House from its current state as a transitional shelter to a facility exclusively providing permanent housing with supportive services for low-income and/or formerly homeless families.
Organization Summary

Mercy House Living Centers ("Mercy House") is a non-profit organization serving the homeless in Orange County, San Bernardino County, Riverside County and most recent expansion into Arizona. The non-profit was incorporated in 1988, began operations in 1990 and has been able to operate successful homeless service programs for over 29 years.

Mercy House was quickly grown from a single shelter serving 10 single men, to a full system of care designed to meet the needs of the homeless at all stages of their struggle. In the past year, Mercy House provided services to more than 6,000 of our community’s most vulnerable men, women, and children. Though our services have expanded and changed, our mission and reason for existence remains the same: to end the homelessness of all who enter our system of care.

Over the years we have created a system of care based on a blend of both continuum of care and housing first models of ending homelessness. This includes operating a variety of programs ranging from homeless prevention, emergency services and shelters, transitional and interim housing, rapid re-housing programs, permanent supportive housing, residential services and affordable permanent housing facilities. The intention of these programs is to address homelessness at every level. The diversity of these programs has also afforded us the experience of working with a wide variety of homeless subpopulations including, but not limited to; families, adult men and women, mothers and their children, veterans, chronically homeless individuals, persons living with HIV/AIDS, individuals overcoming substance addictions, and those who are both physically and/or mentally disabled.

Mission

Mission Statement: To be a leader in ending homelessness by providing a unique system of dignified housing opportunities, programs, and supportive services.

Operational Statement: To end the cycle of homelessness of those who enter our system of care.
2017-2018 Statistics

Our Results: 1,570

Last year, Mercy House set a goal to end or prevent the homelessness of 1,300 men, women, and children. We surpassed that goal and provided a permanent housing solution to 1,570 men, women, and children in our communities.

Housing Portfolio

PERMANENT HOUSING PORTFOLIO
Units of Housing that Mercy House owns, manages and/or provides services to
Legal Entity

Mercy House is a nonprofit 501(c)(3) organization founded in 1988 by Father Jerome T. Karcher. Mercy House has developed a continuum of care of provide homeless prevention, emergency shelter and services, transitional housing, and permanent housing with supportive services to homeless men, women, and children living in Orange County, San Bernardino County, Riverside County, and Phoenix, Arizona.

Tax ID: 33-0315864

Until 2009, Mercy House was known as Mercy House Transitional Living Centers. With the development of the Rapid Re-Housing Program and the Family Redirection Program, it became clear that permanent housing had emerged as a more viable solution to ending homelessness for many clients. On February 6, 2009, Mercy House changed its name to Mercy House Living Centers.

Keys to Organizational Success

- Build and leverage strong, active board of directors.
- Only engage in projects and services that support identified primary strategic programs
- Continue to design and implement strict financial controls and accountability
- Align programs and services to national best practices to ensure effective service, delivery, better housing outcomes and increased cost effectiveness.

Organizational Management

Board of Directors

The Board of Directors exists to advocate on behalf of the homeless. This entity has a responsibility to the agency to co-create and provide resources necessary for the mission and strategic development of Mercy House with the Executive Director. Board members are expected to contribute financially to the agency and secure outside monetary contributions through personal and corporate contacts. It is an expectation that the Board members attend bi-monthly meetings where they review important and relevant information relating to the agency’s mission. Subcommittees of the Board address specific needs including strategic planning, fundraising and resource development, board development, overseeing audit activities, legal, human resources and agency finances.

The Board holds responsibility for the operation of Mercy House. The Executive Director’s performance is managed by the Board. This allows the staff (including the Executive Director) to be held accountable to ensure effective service delivery, honest use of funds, and dignified general operations.
Our current Board of Directors is a mix of 20 members, including participation by a formerly homeless individual. They come from a variety of sources, with varying professions. Some have been with Mercy House since its inception and have seen the agency through its entire history, whereas, others are new and bring an outside perspective.

**Executive Leadership**

Larry Haynes is the driving force behind the organization and fills the executive director role since 1990. His accomplishments include:

- More than 29 years' experience as Executive Director of Mercy House, one of the longest tenures in Orange County, Calif.
- Grew current agency from the smallest most unstable shelter provider to one of the most respected homeless service providers in Orange County and throughout Southern California.
- Increased current agency's financial position from $20,000 in cash and no assets to an agency with several million dollars in assets, three months operating reserve, and no current debt service.
- Speaker at numerous local, state, and national workshops and conferences on homelessness, housing, and leadership issues.
- Led Mercy House in winning contract and operating the Orange County Cold Weather Armory Emergency Shelter in 2008, increasing services and security while serving more than 2,000 unduplicated homeless individuals during a five-month period annually.
- Created and acquired funding for the Family Redirection Program during the Armory program, preventing hundreds of families with children from having to spend a night in an armory. Since inception this program has served nearly 2,000 families including more than 7,000 parents and children.

**Patti Long – Associate Director**

As Associate Director, Patti oversees and is responsible for all of the daily activities of the agency, concretely implementing on behalf of the Executive Director the agency's mission as defined by the Board of Directors. All staff, with the exceptions of the Executive and Housing Directors, report to the Associate Director. The Associate Director reports to the Executive Director. Further responsibilities include managing and supervising identified staff, and coordinating trainings and orientations when needed.

**Elizabeth Andrade – Chief Operations Director**

As Chief Operations Director, Elizabeth oversees a significant portfolio of program and development activities and well as serve as a critical member of the executive management team. She directly supervises six directors working to build their skills and confidence so that they can mentor, encourage, and motivate other staff. The portfolio includes: 1) Strategic Leadership and Special Initiatives; 2) Program Oversight including Emergency Shelter and...
Services, Housing Strategies for Families, Permanent Supportive and Rapid Rehousing Programs; and 3) Development Activities.

Linda Wilson – Housing Director

As Housing Director, Linda oversees the agency’s housing programs, partner relations, and significantly assists with special projects that add meaningful value to the agency’s system of care. She assists the Executive Director with the development of new housing projects, designs and implements ongoing operations for supportive housing programs, serves as a housing specialist and provides requested training and consultation services. She also manages the Mercy House CHDO processes and is a key staff member for Mercy House CHDO, Inc., the housing development wing of Mercy House.

Sarah Jones – Orange County Director of Housing Strategies

As the Orange County Director of Housing Strategies, Sarah’s primary responsibilities include program management, program development, and community relations. This entails overseeing our Emergency Shelter and Services Program for families at Regina Residence, Bethany House, Family Care Center, Rapid Rehousing, Homeless Prevention and our South County Outreach programs. She is responsible for leading the team to meet our program goals, increase their professional development, and assure quality control of our services. She reports directly to the Chief Operations Director and works closely with the Director of Housing Stabilization.

Allison Davenport – Program Development and Compliance Director

As the Program Development and Compliance Director, Allison is responsible for providing support to the Associate Director to ensure effective and compliant service delivery of existing and expansion projects. This position manages the agency’s public and private grants including procurement, compliance, contracts and reporting. This position also manages and oversees the agency data and program evaluation. She reports directly to the Associate Director.

Management of Finances

Mercy House recognizes it is responsible for establishing and maintaining effective internal controls to ensure compliance with laws, regulations, contracts, and grants applicable to federal, state, local, and private funding. As a result, Mercy House has established fiscal accounting procedures in accordance with the Financial Accounting Standards Board (FASB) and as needed, GASB.
Mercy House follows certain precepts in the conduct of its activities that include:

- A Board of Directors to oversee business activities
- Written policies for all accounting procedures and internal controls
- Separation of accounting duties and responsibilities
- Use software for accounting procedures that can track how grant money is spent
- An annual outside audit after the fiscal year end (June 30)

The objective of these practices is intended to:

- Provide a reasonable assurance that all assets are safeguarded against loss by unauthorized use or disposition
- Ensure all transactions are executed in compliance with management authorizations and are recorded properly and accurately in accordance with generally accepted accounting principles
- Adequately maintain records and internal control procedures to ensure compliance with laws and regulations

Mercy House has a full-time Controller and supporting accounting team, who are responsible for the following bookkeeping activities: managing accounts payable, cash receipts and payroll; preparing monthly financial statements and grant billings and assisting with the annual budget and audit. Our Associate Director oversees all financial activities. Our Controller and Associate Director will review financial statements and budgets with each Program Manager on a regular basis and will make adjustments on spending as necessary.

We utilize a fund accounting system designed specifically for non-profit agencies. We use a cash-basis accounting system. Our Controller prepares the following reports on a monthly basis: balance sheet, profit and loss statement, general ledger, grant general ledgers, a functional expense report, and other reports as needed and required. A Certified Public Accountant who is a member of the Board of Directors is responsible for reviewing all financial statements on a monthly basis, presenting the organization’s financial status at monthly Board meetings, securing Board approval of financials and preparing the annual tax returns.

**Keys to Organizational Success**

- Build and leverage strong, active board of directors.
- Only engage in projects and services that support identified primary strategic programs.
- Continue to design and implement strict financial controls and accountability.
- Align programs and services to national best practices to ensure effective service delivery, better housing outcomes and increased cost effectiveness.
Market Analysis

Causes of Family Homelessness

There are a number of factors that contribute to family homelessness, including the challenge of raising children alone, fractured social supports, and the changing demographics of the family.

More significant to the dilemma of family homelessness are:

- **Lack of affordable housing** — According to the National Low Income Housing Coalition, the United States is facing increasing rents, stagnating wages, and an extreme shortage of affordable housing. For every 100 extremely low-income renters, there are just 31 affordable units.

- **Extreme poverty** — In 2009, 17% of all American families with two parents and 34% of all single-parent families lived below the poverty line. Many families do not earn adequate wages, with one-fifth of all US jobs not paying enough to keep a family of four out of poverty. Families need an income twice as high as the Federal Poverty Level, on average, to meet their most basic needs.

- **Decreasing government supports** — In 1996 the federal welfare reform law replaced the Aid to Families with Dependent Children (AFDC) program with a block grant program called Temporary Assistance to Needy Families (TANF). However, these grants, combined with the Food Supplement Program, formally known as Food Stamps, require applicants to earn below poverty level in almost every state and while the number of poor people has increased in recent years, the number of people receiving TANF has decreased.

Homelessness disrupts virtually every aspect of family life, damaging the physical and emotional health of family members, interfering with children’s education and development, and frequently resulting in the separation of family members, with a much higher rate of separation for families that have experienced homelessness than others that have not.  
(Source: National Collation for the Homeless)

Family homelessness in Orange County

Key findings from the 2017 ORANGE COUNTY HOMELESS CENSUS AND SURVEY show that:

- The 2017 count includes 398 households consisting of at least one adult and one child (families). These families include an estimated 1,265 people, with an average household
size of three. Sixty-one percent of household members are children under the age of 18. 5.2% of these are unsheltered.

- Homeless persons in households with children, represent 26% of the entire homeless population in Orange County.

The total number of families with children decreased from 451 to 398 (12%) between 2015 and 2017. The percent of the population that people in families represent also decreased, from 13% of all households and 31% of all people experiencing homelessness in 2015, to 10% of households and 26% of people experiencing homelessness in 2017.

Orange County Housing Challenges

Further data from the Orange County Community Indicators Report (2017), present key indicators of homelessness and housing stability challenges for Orange County families including:

Family Housing Security

In 2015/16, there were 28,450 Pre-K through 12th grade students who were identified as homeless or living in unstable housing arrangements. Most of these students (25,545) live in families that are doubled-up or tripled-up with another family. This number has grown 119% since 2006/07, when 11,646 students were living doubled-up. Since 2006/07, the number of students living in motels rose 64%, while the number students living in shelters rose 165% and the number of unsheltered students rose 119%. At 5.8% of total enrollment, Orange County has proportionately more students with insecure housing than the statewide average and all California regions compared except Riverside/San Bernardino.

Family Financial Stability

The 2015 Family Financial Stability Index (FFSI) indicates that 34% of neighborhoods in Orange County have concentrated level of family financial instability. This is an improvement since tracking began in 2012, when 39% of neighborhoods were unstable. The improvement in financial stability is driven largely by declining unemployment, while income and rent burden have not improved markedly.

Rental Affordability

In 2017, the hourly wage needed to afford a median-priced one-bedroom unit was $27.62, equivalent to an annual income of $57,440. This Housing Wage is up from $25.46 in 2016 and above the previous five-year average of $25.37. Workers earning above minimum wage, but below the Housing Wage of $27.62 may experience increased economic insecurity, as a larger proportion of their earnings must go towards housing. High rent burden can also lead to overcrowding and homelessness.
Program Design and Strategic Changes

Mercy House first began operation of the Regina House Transitional Shelter Program in 1990. It was designed to meet the needs of 7 homeless, single mothers and their children within the community.

In July 2018, Mercy House begun operation of the HomeAid Orange County Family CareCenter, a 56-bed year round emergency shelter located in the City of Orange that serves homeless families with children. The shelter is within a network of three other family shelters that have been created in Orange County over the past four years known as the Family Shelter Network. The advent of these larger year round shelters for families has replaced the need for Mercy House to continue to operate Regina House as a transitional shelter.

While the need for shelter beds has diminished there is still a strong need in the community for the development of affordable housing for low-income families including those who are formerly homeless.

In order to address this need, "Regina House" will be modified to "Regina Residence" exclusively providing permanent housing with supportive services for low-income families.

Regina Residence Permanent Housing Program

The Regina House Permanent Housing Program will be designed to provide low-income permanent housing with supportive services to two (2) large sized, low-income families.
Mercy House reduces barriers such as poor credit and poor rental histories that tenants would otherwise be denied from in market based apartments operating in a low vacancy environment. By offering lower-threshold housing opportunities, we are ensuring that low-income families are not forced to continue living on the streets or in unsafe housing.

Regina Residence also offers a system of support for these families. Mercy House staff will provide Housing Stabilization supportive services including case management, resource referrals and life skills. Supportive services for residents will be provided on a voluntary basis, however residents will be assertively and respectfully encouraged to participate in the supports and services available to them. Service coordination is “resident driven” as well as “needs-driven.” In other words, an array of services are offered to all residents but additional services may be offered based on the individualized needs assessment or individual care plans. The targeted outcome for each family will be long-term, stable housing. Additionally, Mercy House will provide adequate staffing to address emergency needs and maintenance issues.

By providing low-barrier, affordable housing with supportive services focused on housing stabilization we are preparing our residents to thrive in permanent housing at Regina Residence and throughout the community.

**Eligibility for Admission**

To be eligible for admission to the Regina Residence Permanent Housing Program, an applicant must be documented and of legal age (18 years of age or older).

Every participant will be required to be under 80% Area Median income at time of entry and throughout their stay meeting HOME program covenants on the property.

Applicants will be considered when they complete the application packet and the following criteria are met:

1) Applicants verified income is $300 over the amount of resident’s rent payment for non-voucher holders only.
2) Household’s annual income does not exceed the low-income limits (80% of area median income) as established by HUD.
3) Household income is such that applicant can satisfactorily meet their debt obligations without subtracting from other necessary living expenses. This includes payment of rent, current debt payments and basic necessities.
4) No eviction history for a period of 2 years prior to entry
5) No history of criminal convictions for sex offenses, violent crimes and distribution of drugs. No outstanding felony warrants.
6) No record of disturbance of neighbors, damage to or destruction of property, living or housekeeping habits at prior residences, which adversely affects the health, safety or welfare of other tenants.

7) Willing to participate in annual recertification meetings to verify income and continued eligibility.

Residents for the Regina Residence Permanent Supportive Housing Program will be selected based on their eligibility as well as their need for low-income housing and the statutory purpose in leasing a socially and financially sound housing development, which provides not only a decent home and suitable living environment, but fosters economic and social diversity in the tenant body as a whole.

Structure and Location

Regina Residence is located in the City of Santa Ana in the French Court Neighborhood Association. Mercy House owns three properties in the same neighborhood and has been an active participant in the community since 1990. The Regina Residence property has access to grocery stores, restaurants and public transportation.

The property is comprised of three units, two of which will be used for permanent housing with supportive services. Unit 1509 is a 3-bedroom unit and Unit 1505 is a 4-bedroom unit. Both units combined will serve up to 16 individuals, maintaining habitability standards. Each unit offers a kitchen, dining area, and living area and bathrooms as well as on-site laundry access. The third unit, 1507, will be retained as a program office.

Residents of the facility will have access to a communal courtyard, gardens and playground area for children.

Each household would be entitled to a designated parking spot located on the property. Any additional vehicles would be required to purchase a City of Santa Ana Parking permit.

Zoning and Uses

Mercy House is currently operating Regina House under Conditional Use Permit 92-4 that permits a carehouse facility for homeless women with children only. In May 2019, the CUP was reviewed by the Santa Ana Planning Department. It was determined that the current CUP would not need to be amended as the existing structures will be used in a way that is permitted by the existing zoning (single family residences). Once the structures are converted from a care facility to residences, the existing CUP will expire. Any future use of the properties as a care facility will require a new CUP.
Rehabilitation for Use as Permanent Housing Facility

The Regina Residence facility would require little rehabilitation to transition to a permanent housing facility. During the past year Mercy House made a number of major repairs to the units including flooring and foundational upgrades and repairs. Prior to lease up Mercy House will inspect the units again for any necessary repairs and/or alterations in preparation for new low-income tenants. It is not anticipated that these repairs would significantly delay project start-up.

Photos depicting some of the upgrades to the interior of the units; completed in 2018.

On-going Maintenance of the Facility

Mercy House has on staff Maintenance Managers who are in charge of regular maintenance and repair of Mercy House's facilities including the Regina Residence facility.

Mercy House also allocates a percentage of funding as replacement reserves that may be used for special projects to improve the facility and regular maintenance

Project Sustainability

The annual rental receipts anticipated through the proposed conversion will sustain both the supportive services and maintenance provided to the property.
FIRST AMENDMENT TO HOUSING DEVELOPMENT LOAN AGREEMENT
AND AFFORDABLE HOUSING COVENANTS

THIS FIRST AMENDMENT TO HOUSING DEVELOPMENT LOAN AGREEMENT
AND AFFORDABLE HOUSING COVENANTS, made and entered into this 2nd day of July,
2019, by and between MERCY HOUSE LIVING CENTERS, formerly known as MERCY
HOUSING TRANSITIONAL LIVING CENTERS, a California non-profit public benefit
 corporation ("Developer"), the City of Santa Ana, a charter city and municipal corporation
 organized and existing under the Constitution and laws of the State of California ("City"),
 and the Housing Authority of the City of Santa Ana acting as the Successor Housing
 Agency to the Community Redevelopment Agency of the City of Santa Ana ("Agency").

RECITALS

A. The City and Successor Housing Agency entered into a Housing Development Loan
 Agreement and Affordable Housing Covenants with Developer, dated April 11, 2006,
 to provide financial assistance from Redevelopment funds and the United States
 Department of Housing and Urban Development ("HUD") under the HOME
 Investment Partnership Program ("HOME Program") for the rehabilitation of the
 Regina House Project located at 1505, 1507 and 1509 North Bush Street, Santa Ana,
 for the operation of a transitional living center for homeless, single mothers and their
 children ("said Agreement").

B. Due to changing needs of the community, Developer is proposing to modify the Regina
 House transitional housing program to become a permanent housing facility serving
 large families.

C. In accordance with the terms and conditions of said Agreement, the Parties desire to
 amend said Agreement to allow the operation of permanent housing on the Property.

NOW THEREFORE, in consideration of the mutual and respective covenants and promises
 hereinafter contained and made, and subject to all of the terms and conditions of said Agreement,
 except as herein modified, the parties agree as follows:

1. Recital A shall be amended to read as follows:

"Developer is the owner of certain real property located at 1505, 1507, and 1509
N. Bush Street, Santa Ana ("Property") described in the attached Exhibit A (legal
description), that will be converted from a transitional shelter for homeless single
mothers and their children to a permanent housing facility serving large families."

2. Recital G, paragraph 2, shall be amended to read as follows:

80C-19
“thereafter to maintain, operate and professionally manage the Property as decent, safe, sanitary and affordable permanent housing.”

3. Section 1.1, Defined Terms, the first sentence of the definition of “Property” shall be amended in pertinent part to read as follows:

“The Property is located in the City of Santa Ana, and is used as a permanent housing facility serving large families.”

4. Section 2.8, Prohibition Against Transfer of the Property, the first sentence shall be amended in pertinent part to read as follows:

“City and Agency enter this Agreement in furtherance of the goal of rehabilitation of transitional low income housing into permanent housing serving large families, in reliance that Developer intends to maintain such housing use on the Property for the specified fifty-five (55) year term.”

5. Section 5.4, Other Terms and Conditions of Loan, subsection (5) shall be amended to read as follows:

“failure of Developer or a subsequent owner to use the Property for the purpose of permanent housing for large families.”

6. Section 7.1, Use and Maintenance of the Property, subsection (B) shall be amended to read as follows:

“Use the Property only as a facility providing permanent housing for large families.”

7. Except as hereinabove modified, all terms and conditions of said Agreement shall remain in full force and effect.

{Signatures on following page}
IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to said Agreement the date and year first above written.

ATTEST:

__________________________
NORMA MITRE
Acting Clerk of the Council

CITY OF SANTA ANA

__________________________
Kristine Ridge
City Manager

APPROVED AS TO FORM:

__________________________
SONIA R. CARVALHO
City Attorney

HOUSING AUTHORITY OF THE
CITY OF SANTA ANA

By:

__________________________
Ryan O. Hodge
Assistant City Attorney

__________________________
STEVEN A. MENDOZA
Executive Director – Housing Authority

DEVELOPER
MERCY HOUSE LIVING CENTERS

__________________________