



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 15, 2022

FROM: OFFICE OF HOMELESS SOLUTIONS WARD: 7

SUBJECT: FIRST AMENDMENT TO HOME INVESTMENT PARTNERSHIPS LOAN AGREEMENT; FIRST AMENDMENT TO PROMISSORY NOTE; AND AMENDED AND RESTATED DEED OF TRUST, FIXTURE FILING, AND ASSIGNMENT OF RENTS BY AND BETWEEN THE CITY OF RIVERSIDE AND ANACAPA RIVERSIDE LLC TO INCREASE THE HOME INVESTMENT PARTNERSHIPS LOAN AMOUNT BY \$156,062 FOR A TOTAL LOAN AMOUNT OF \$510,788 TO COMPLETE THE DEVELOPMENT OF TWO AFFORDABLE RENTAL HOUSING UNITS LOCATED AT 11502 ANACAPA PLACE - FUNDS TRANSFER

ISSUES:

Approval of a First Amendment to HOME Investment Partnerships Loan Agreement; First Amendment to Promissory Note; and Amended and Restated Deed of Trust, Fixture Filing, and Assignment of Rents by and between the City of Riverside and Anacapa Riverside LLC to increase the HOME Investment Partnerships loan amount by \$156,062 for a total loan amount of \$510,788 to complete the development of two affordable rental housing units located at 11502 Anacapa Place; authorize transfer of funds.

RECOMMENDATIONS:

That the City Council:

1. Approve a First Amendment to HOME Investment Partnerships Loan Agreement; First Amendment to Promissory Note; and Amended and Restated Deed of Trust, Fixture Filing, and Assignment of Rents by and between the City of Riverside and Anacapa Riverside LLC to increase the HOME Investment Partnerships loan amount by \$156,062 for a total loan amount of \$510,788 to complete the development of two affordable rental housing units at 11502 Anacapa Place; and
2. Authorize the City Manager, or designee, to execute the First Amendment to HOME Investment Partnerships Loan Agreement; First Amendment to Promissory Note; and Amended and Restated Deed of Trust, Fixture Filing, and Assignment of Rents and other related documents, with Anacapa Riverside LLC including making minor and non-substantive changes.

BACKGROUND:

The Housing Authority purchased land at 11502 Anacapa Place and APN# 141-173-0136 with Neighborhood Stabilization Program funds as the property was foreclosed upon by U.S. Bank in 2009. In accordance with Neighborhood Stabilization Program regulations, the property was required to be developed for affordable housing with 55-year affordability covenants.

On March 8, 2017, the Housing Authority issued a Request for Proposals for the development of 11502 Anacapa Place. The Housing Authority received three responses. These proposals were reviewed and scored based on project concept, experience and qualification, financial strength, project readiness and development schedule, and affordability. The Housing Authority conducted subsequent interviews. The proposal identified as the most responsive was from Northtown Housing Development Corporation (Northtown) for the development of a 2- and 3-bedroom house to be rented to families earning at or below 80% of Area Median Income (Project).

On June 21, 2018, the Development Committee unanimously voted to recommend that the City Council and Housing Authority Board approve the Anacapa Development Proposal from Northtown for the development of the Project and approve a HOME Investment Partnerships (HOME) residual receipts loan in the amount of \$354,726 to finance the construction of Project.

On February 12, 2019, the Housing Authority Board approved a Disposition and Development Agreement (DDA) with Northtown for the sale of 11502 Anacapa Place for \$1 and the development the Project. The City Council also approved a HOME Loan Agreement with Northtown for a loan in the amount of \$354,726 for the development of the project.

On August 3, 2020, the City of Riverside executed an Assignment and Assumption Agreement between Northtown and Anacapa Riverside LLC, consenting to and approving the assignment of all right, title, obligations and interest in and to the HOME Loan Agreement and the DDA and any and all Related Agreements (as defined by the Assignments) by Northtown to Anacapa Riverside LLC, the assignee.

On February 1, 2021, the City and the developer closed escrow and 11502 Anacapa Place was sold to Anacapa Riverside LLC.

DISCUSSION:

During the development of the Project, the developer encountered unforeseen challenges with the property related to accessibility, street improvements, additional construction costs on the second lot, and increased material costs due to the COVID pandemic. As a result, Anacapa Riverside LLC submitted a formal request to the City of Riverside Housing Authority for an additional HOME allocation of \$156,062 that would increase their total HOME loan to \$510,788.

The total development cost for the Project is now \$889,916, which is broken down as follows:

Sources of Funds:	Funding Amount:
Bank Loan	\$ 266,002
State Affordable Housing Program	\$ 25,000
City HOME Development Loan	\$ 510,788
Northtown Housing Development Corporation	\$ 88,126
Total Sources of Funds	\$ 889,916

Uses of Funds:	Cost:	Updated Costs:
Land Acquisition & Closing Costs	\$ 12,001	\$12,001
Construction	\$ 488,377	\$745,415
Professional Fees/Soft Costs	\$ 76,500	\$76,500
Developer Fee	\$ 56,000	\$56,000
Total Development Costs	\$ 632,878	\$889,916

Staff supports Anacapa Riverside LLC's request for additional HOME funding and recommends that the City Council approve the First Amendment to the HOME Investment Partnerships Loan Agreement, First Amendment to Promissory Note, and Amended and Restated Deed of Trust, Fixture Filing, and Assignment of Rents. The project is expected to be completed in November 2022.

STRATEGIC PLAN ALIGNMENT:

The development of 11502 Anacapa Place supports **Strategic Priority 2 – Community Well-Being**, and **Goal 2.1** – to facilitate the development of quality and diverse housing supply that is available and affordable to a wide range of income levels.

This project aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – The City of Riverside has identified the need for affordable housing as a priority need in the City's Housing Element process. The Housing Element outreach process gathered information from specific focus groups and interviews with various organizations and service providers in the housing and community development field, as well as residents of the city.
2. **Equity** – Pursuant to the Housing Community Act of 1974, the US Department of HUD provides critical priority for the funding to ensure all eligible persons receive equitable access to service and are served with dignity, respect, and compassion regardless of the circumstances, ability, or identity.
3. **Fiscal Responsibility** – There is no fiscal impact to the City General Fund associated with this item. This item allows the City to utilize unused HOME funds toward the development of low-income housing to create economic stability for low-income City residents.
4. **Innovation** – This item will allow the City to capitalize on new and changing funding sources in partnership with federal and state programs to meet ongoing and changing

needs of low income members of the community.

5. **Sustainability & Resiliency** – The Project promotes a sustainable community and economic development and projects to encourage community engagement and resiliency.

FISCAL IMPACT:

The total fiscal impact of the action is \$156,062. Sufficient funds are budgeted and available in the Home Investment Partnership Programs Fund, Home Unprogrammed Funds. Upon Council approval a budget adjustment will be recorded from the Home Investment Partnership Prog Fund, Home Unprogrammed Funds, 2835200-453001 to the Anacapa Project account 2835200-453045.

Prepared by: Michelle Davis, Housing Authority Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Edward Enriquez, Interim Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. First Amendment to HOME Investments Partnerships Loan Agreement
2. First Amendment to Promissory Note
3. Amended and Restated Deed of Trust, Fixture Filing, and Assignment of Rents