



City of Arts & Innovation

City Council and Housing Authority Memorandum

TO: HONORABLE MAYOR, CITY COUNCIL AND HOUSING AUTHORITY MEMBERS DATE: SEPTEMBER 17, 2024

FROM: HOUSING AND HUMAN SERVICES WARD: 1

SUBJECT: SECOND AMENDMENT TO DEVELOPMENT AGREEMENT FOR THE MULBERRY VILLAGE DEVELOPMENT PROJECT BETWEEN THE CITY OF RIVERSIDE, THE HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, AND HABITAT FOR HUMANITY RIVERSIDE, INC. FOR AN ADDITIONAL ALLOCATION OF \$72,832.65 IN HOUSING AUTHORITY FUNDS FOR THE DEVELOPMENT OF TEN SMALL COTTAGE-STYLE HOMES ON HOUSING AUTHORITY-OWNED PROPERTY LOCATED AT 2825-2841 MULBERRY STREET – SUPPLEMENTAL APPROPRIATION

ISSUES:

Approve a Second Amendment to Development Agreement for the Mulberry Village Development Project between the City of Riverside, the Housing Authority of the City of Riverside, and Habitat for Humanity Riverside, Inc. for an additional allocation of \$72,832.65 in Housing Authority funds for the development of ten small cottage-style homes on Housing Authority-owned property located at 2825-2841 Mulberry Street and authorize a supplemental appropriation.

RECOMMENDATIONS:

That the City Council:

1. Approve the Second Amendment to Development Agreement for the Mulberry Village Development Project with the City of Riverside, Habitat for Humanity Riverside, Inc., and the Housing Authority of the City of Riverside for an additional allocation of \$72,832.65 in Housing Authority grant funds related to the development of ten small cottage-style homes on Housing-Authority-owned property located at 2825-2841 Mulberry Street;
2. With at least five affirmative votes, authorize Chief Financial Officer, or designee, to record a supplemental appropriation in the amount of \$72,832.65 from the Housing Authority Fund available fund balance to the 2831 Mulberry Village Project account; and
3. Authorize the City Manager, or designee, to execute the Second Amendment to the Development Agreement for the Mulberry Village Development Project, including making minor and non-substantive changes.

That the Housing Authority:

1. Approve the Second Amendment to Development Agreement for the Mulberry Village Development Project with the City of Riverside, Habitat for Humanity Riverside, Inc., and the Housing Authority of the City of Riverside for an additional allocation of \$72,832.65 in Housing Authority grant funds related to the development of ten small cottage-style homes on Housing-Authority-owned property located at 2825-2841 Mulberry Street; and
2. Authorize the Executive Director, or designee, to execute the Second Amendment to Development Agreement for the Mulberry Village Development Project, including making minor and non-substantive changes.

BACKGROUND:

The Housing Authority of the City of Riverside (Authority) purchased parcels of land at 2825-2841 Mulberry through judicial foreclosures in 2012. The Authority advertised the site for development continuously on the Authority's Request for Proposals webpage. On April 9, 2018, an over-the-counter proposal from Habitat for Humanity Riverside, Inc. was received for the Mulberry Village development consisting of ten small cottage-style homes on the site to serve chronically homeless individuals earning at-or-below 50% of the Area Median Income (\$23,600 for one person).

On June 18, 2019, the City Council approved a Development Agreement for the Mulberry Village Development Project with Habitat for Humanity Riverside, Inc. (Habitat) to provide \$884,250 in HOME Investment Partnerships (HOME) Program grant funds for the Mulberry Village Project, the development of ten small cottage-style homes on the 0.48-acre parcel (Project). The Project would provide access to stable and affordable housing, provide case management and supportive services based on client's needs, and assist clients with graduating into permanent housing. The Authority would retain ownership of the project site, which must remain affordable for 55 years. Management of the property would be conducted by Riverside Housing Development Corporation (RHDC), who currently manages the Authority's existing rental properties.

On January 14, 2020, the City Council approved a (1) General Plan Amendment to change the land use designation of the project site from MDR-Medium Density Residential to HDR – High Density Residential; (2) Zoning Code Map Amendment to change the zone from R-17000 – Single Family Residential Zone to R-3-3000 – Multiple Family Residential; and (3) Design Review of project plans, as recommended by the City Planning Commission.

In 2022, the City received a funding request from Habitat for Humanity for \$1,271,149 to cover unexpected project-related costs. Historically, Habitat had been able to utilize volunteered labor and donated materials to keep their construction costs down. However, due to the COVID pandemic, Habitat's insurance carrier did not allow them to utilize volunteers, resulting in unexpected labor costs. The cost of materials had also increased due to supply shortages and the inability to obtain the anticipated donated materials.

On November 15, 2022, the City Council approved a First Amendment to the Development Agreement for an additional allocation of \$833,031.28 in HOME CHDO Grant funds to cover a portion of the unexpected project related costs.

On February 21, 2023, the City Council approved a Development Agreement for the Mulberry Village Development Project with the City of Riverside, Habitat for Humanity Riverside, Inc., and the Housing Authority of the City of Riverside for an allocation of \$438,117.72 in Neighborhood

Stabilization Program grant funds to cover the remaining portion of the unexpected project-related costs. This brought the total development cost to \$2,155,399.

DISCUSSION:

In January 2024, the Mulberry Village Project was completed and fully occupied. However, following approval of the additional funds above, the project site underwent further challenges. On June 26, 2023, an electrical fire severely damaged one of the ten units. This unit (Unit J) underwent demolition and reconstruction creating further delay in the completion of the project. Additionally, it was discovered that the solar component of the project was originally not included in the original budget and those fees, along with additional security service fees for extended retention time, are the result of the request today.

Below is a breakdown of the final Project costs.

Uses of Funds		
Activity	Original Project Budget	Revised Project Budget
Land acquisition and closing costs	\$ 0	\$ 0
Construction (+Solar and Security Fees)	\$1,340,920	\$1,413,752.65
Professional fees/soft costs	\$ 571,220	\$ 571,220
Permit fees	\$ 54,200	\$ 54,200
Contingency	\$ 89,059	\$ 89,059
Developer fee	\$ 100,000	\$ 100,000
Total Development Cost	\$2,155,399	\$2,228,231.65

Staff is requesting to cover the remaining Project funding gap of \$72,832.65 with Housing Authority funds.

STRATEGIC PLAN ALIGNMENT:

The Project 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 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** – All individuals served in projects funded with Housing Authority funds will be treated with dignity, respect, and compassion regardless of the circumstances, ability, or identity.
3. **Fiscal Responsibility** – This item allows the City to utilize unused Housing Authority funds toward the development of extremely low-income housing to create economic stability for

extremely low-income City residents.

4. **Innovation** – This item will allow the Housing Authority to close out the Project that created smaller type of housing units for individuals exiting the streets into housing coupled with case management to achieve housing stability and self-sufficiency.
5. **Sustainability & Resiliency** – This 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 \$72,832.65. Upon Council and Housing Authority approval, a supplemental appropriation in the amount of \$72,832.65 will be recorded in the Housing Authority Fund, 2831 Mulberry Village Project account number 9916200-440446. There are sufficient funds available in the Housing Authority Fund balance in order to cover the supplemental appropriation.

Prepared by: Andrea Robles, Housing Coordinator
Approved by: Michelle Davis, Housing and Human Services Director
Certified as to
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Mike Futrell, City Manager
Approved as to form: Phaedra Norton, City Attorney

Attachment: Second Amendment to the Development Agreement for the Mulberry Village Development Project