



City of Arts & Innovation

# City Council Memorandum

TO: HONORABLE MAYOR AND COUNCIL DATE: MARCH 25, 2025  
FROM: HOUSING AND HUMAN SERVICES WARD: 2  
SUBJECT: SUBRECIPIENT AGREEMENT FOR THE HOMELESS HOUSING, ASSISTANCE AND PREVENTION PROGRAM ROUND 3 WITH RIVERSIDE HOUSING DEVELOPMENT CORPORATION TO PROVIDE \$250,000 IN GRANT FUNDS TO COVER PREDEVELOPMENT COSTS FOR THE ACQUISITION AND CONVERSION OF 114 MOTEL ROOMS INTO STUDIO UNITS LOCATED AT 1590 UNIVERSITY AVENUE

**ISSUE:**

Approval of a Subrecipient Agreement for the Homeless Housing, Assistance and Prevention Program Round 3 with Riverside Housing Development Corporation to provide \$250,000 in grant funds to cover the predevelopment costs for the acquisition and conversion of 114 motel rooms into studio units.

**RECOMMENDATIONS:**

That the City Council:

1. Approve a Subrecipient Agreement for the Homeless Housing, Assistance and Prevention Program Round 3 with Riverside Housing Development Corporation to provide \$250,000 in grant funds to cover the predevelopment costs for the acquisition and conversion of 114 motel rooms into studio units; and
2. Authorize the City Manager, or designee, to execute the Subrecipient Agreement with Riverside Housing Development Corporation, including making minor and non-substantive changes.

**BACKGROUND:**

On November 26, 2024, the California Housing and Community Development (HCD) released the Homekey + Notice of Funding Availability (NOFA), which is funded through Proposition 1 that was approved by California voters in March 2024. Proposition 1 includes the Behavioral Health Services Act (BHSA) and the Behavioral Health Infrastructure Bond Act (BHIBA). Homekey+ is the Permanent Supportive Housing component of the BHIBA.

Homekey+ will support the development of Permanent Supportive Housing for Veterans and individuals with mental health or substance use disorder challenges who are at-risk of or experiencing homelessness. Building on the success of both Roomkey and approximately \$3.572 billion awarded over three rounds of Homekey, Homekey+ continues a statewide effort to sustain and rapidly expand Permanent Supportive Housing for persons experiencing homelessness. Like

other programs administered by the State of California that serve people experiencing homelessness, Homekey+ requires the use of Housing First, which is an evidence-based model that quickly and successfully connects individuals and families experiencing homelessness to permanent housing without preconditions and barriers to entry or continued tenancy, such as sobriety, treatment or service participation requirements. With safe, affordable housing, and supportive services to address Behavioral Health Challenges, California's most vulnerable residents will have the foundation they need to thrive.

Under the Homekey + NOFA, \$1.033 billion is being made available for veteran-serving projects and all other target population projects will have \$1.11 billion available. Eligible applicants include cities, counties, state and regional and local public entities and tribal entities. Eligible uses include acquisition and/or rehabilitation of motels, hotels, apartments, assisted living residences, commercial spaces and other buildings with existing uses that could be converted to PSH. Projects must be completed within 12 months from the date of the grant award letter. Homekey + applications are due by May 30, 2025 and awards announcements will start in June 2025.

The City of Riverside has 230 unhoused individuals on the Coordinated Entry System Community Queue waiting for a permanent supportive housing unit.

### **DISCUSSION:**

On February 24, 2025, the City received a proposal from Riverside Housing Development Corporation (RHDC), an experienced affordable housing developer and property manager, to submit a joint Homekey + application for the acquisition and conversion of 114 motel rooms into studio units that are located at 1590 University Avenue (Project). The motel has an extra conference room that can be converted into six (6) additional studios. The total estimated project cost is \$26,000,000.

RHDC is requesting \$250,000 in predevelopment costs to fund the financial consultant, architect and engineering activities, city permits, appraisal, lead based paint and asbestos tests, Phase I Environmental, and a preliminary title report for the Project. The appraisal and environmental reports will need to be submitted with the Homekey + application.

Since most of these units will need to be affordable at 30% of area median income (\$21,500 for a one-person household) RHDC is requesting \$7 million in HHAP 3 and HHAP 4 funding needed to fill the project gap as the cash flow will need to also support a supportive services coordinator on site. These units will remain affordable for a 55-year period. The City's contracted City Net case managers would provide the ongoing case management.

Staff is requesting City Council to consider a Subrecipient Agreement for the Homeless Housing, Assistance and Prevention Program Round 3 with RHDC to provide \$250,000 in grant funds to cover the predevelopment activities that need to be completed before the Homekey + application can be submitted for the acquisition and conversion of 114 motel rooms into studio units.

The City Attorney's Office is drafting a Resolution for the submission of a joint Homekey + application and HHAP 3 and 4 Loan Agreement that will be presented to City Council in April 2025 for consideration.

### **FISCAL IMPACT:**

The total fiscal impact of this subrecipient award is \$250,000. Funding is budgeted and available in the Development Grants Fund, HHAP3 Grant account number 9344460-440210.

Prepared by: Michelle Davis, Housing and Human Services Director  
Certified as to  
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer  
Approved by: Kris Martinez, Assistant City Manager  
Approved as to form: Jack Liu, Interim City Attorney

Attachment: Subrecipient Agreement for HHAP 3 with RHDC