



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 19, 2024

FROM: HOUSING AND HUMAN SERVICES WARDS: ALL

SUBJECT: HOMEKEY PROGRAM SUBRECIPIENT AGREEMENT BETWEEN THE CITY OF RIVERSIDE, WALDEN PROJECT HOMEKEY, LLC, AND WALDEN ENVIRONMENT DBA WALDEN FAMILY SERVICES FOR \$5,250,000 OF HOMEKEY PROGRAM ROUND 3 FUNDS FROM THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR THE ACQUISITION AND REHABILITATION OF SCATTERED SITES FOR TRANSITIONAL HOUSING SERVING FOSTER YOUTH

ISSUE:

Approve a Homekey Program Subrecipient Agreement between the City of Riverside, Walden Project HomeKey, LLC, and Walden Environment DBA Walden Family Services for \$5,250,000 of Homekey Program Round 3 funds from the State of California Department of Housing and Community Development for the acquisition and rehabilitation of scattered sites for transitional housing serving foster youth.

RECOMMENDATIONS:

That the City Council:

1. Approve a Homekey Program Subrecipient Agreement between the City of Riverside, Walden Project HomeKey, LLC, and Walden Environment DBA Walden Family Service for \$5,250,000 of Homekey Round 3 funds from the State of California Department of Housing and Community Development for the acquisition and rehabilitation of scattered sites for transitional housing serving foster youth; and
2. Authorize the City Manager, or his designee, to execute the Homekey Program Subrecipient Agreement between the City of Riverside, Walden Project HomeKey, LLC, and Walden Environment DBA Walden Family Services, including making minor and non-substantive changes.

BACKGROUND:

Walden Environment DBA Walden Family Services (Walden) has provided direct services to foster youth throughout Southern California since 1976. Walden provides housing for transitional age youth 18-21 years old, including pregnant and parenting youth, and foster and former foster youth. Youth in Walden’s housing program receive supportive case management services to assist them in achieving self-sufficiency.

Currently Walden leases multiple apartments throughout the City of Riverside as the City provides easy access to schools, employment opportunities, and public transport where program participants can thrive.

On March 29, 2023, the State of California Department of Housing and Community Development (HCD) released a NOFA for the Homekey Program Round 3 (Homekey 3) to provide funding to sustain and rapidly expand housing for persons experiencing homelessness or at-risk of homelessness. The Homekey Program Round 3 has set aside \$75,759,808, approximately 10% of its total funding allocation, to fund projects benefitting homeless youth.

In May 2023, the City's Housing Authority received an over-the-counter funding proposal from Walden Family Services for a scattered site transitional housing project for youth at-risk of homelessness and aged out foster youth. Walden Family Services proposed to purchase up to five single-family homes throughout the City of Riverside and convert them to Single Room Occupancy (SRO) units where multiple transitional aged clients (18-21 years old) can be housed together while receiving support services (Project). The SRO units have their own locks for privacy, and bathrooms, kitchens, laundry, and common areas of the house are shared. Walden will place one youth per SRO unit except for parenting youth, who will have the infant child share their unit.

On June 27, 2023, City Council authorized the submission of a joint application with Walden for \$4,375,000 of Homekey funds with the coordinating supplemental appropriations to the Grants and Restricted Programs accounts on the assumption that the City would enter into a subrecipient agreement with Walden and act as a pass-through entity for the Homekey funds.

The City of Riverside submitted a Homekey Round 3 application on behalf of the Walden Family Services Transitional Aged Youth (TAY) Scattered Site Housing Project (TAY Project). At the time of the application Walden had not yet identified the sites for purchase as residential properties could not be guaranteed to remain on the market until Homekey 3 funding was awarded and disbursed.

A budget of \$4,375,000 based on an expected 25 SRO units at the Homekey program's maximum allocation for assisted units reserved for homeless youth or youth at-risk of homelessness at \$175,000 per door was included in the application.

On November 1, 2023, the City and Walden received a conditional award of \$4,375,000 in Homekey Round 3 funds to reimburse the purchase and rehabilitation costs of qualified properties for the TAY Scattered Site project.

DISCUSSION:

Walden Family Services formed Walden Project HomeKey, LLC to purchase single family homes for the TAY Housing Project. Four properties meeting Homekey Program requirements for the scattered site project were identified and purchased by Walden Project HomeKey, LLC, and Walden Environment DBA Walden Family Services.

Four eligible properties were located and purchased by Walden. Three of the four properties have accessory dwelling units (ADU) which count toward the total number of SRO units that qualify under the Homekey Program.

Property	SRO Units	Additional ADU SRO Units	Total SRO Units
12 th Street	4	3	7
Arizona Avenue	7	0	7
Pleasant Street	3	3	6
Violet Court	7	3	10
TOTAL	21	9	30

HCD qualified the four properties purchased by Walden as an eligible use of Homekey funds and increased the amount of the Homekey Round 3 award to \$5,250,000 to reflect the maximum per unit allocation of \$175,000 for the actual number of 30 SRO units.

On April 23, 2024, City Council approved updating the Resolution to apply for and receive \$5,250,000 of Homekey Round 3 funding for the TAY Housing Project. The initial award of \$2,410,000 will be distributed to Walden through escrow to reimburse them for the property acquisitions for the TAY Project once the Subrecipient Agreement has been executed and Restrictive Covenant has been executed and recorded against the properties. Escrow will wire the remaining amount of \$2,840,000 to the City of Riverside, which will be provided to Walden for rehabilitation costs.

HCD will require a 30-year affordability covenant to be recorded in first position against the properties acquired with Homekey Round 3 to restrict the use, operation, occupancy, and affordability

STRATEGIC PLAN ALIGNMENT:

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

This item aligns with each of the five 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. 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** – The Project ensures that all eligible persons receive equitable access to housing 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 project. This project allows the City to utilize a state budget appropriation to build low- income housing to create economic stability for extremely low-income City residents.
4. **Innovation** – The Project will allow the City to capitalize on new and changing funding sources in partnership with state programs to meet ongoing and changing needs of low-income members of the community.

- 5. **Sustainability & Resiliency** – The Project’s case managers will work closely with clients to achieve housing stability and self-sufficiency.

This item also contributes to the Homelessness Action Plan, Goal No. 3 to prevent homelessness.

FISCAL IMPACT:

The total fiscal impact of this action is \$5,250,000. The initial award of \$2,410,000 will be distributed to Walden through escrow to reimburse them for the property acquisitions for the TAY Project once the Subrecipient Agreement has been executed and Restrictive Covenant has been executed and recorded against the properties. The Homekey Round 3 awarded funds of \$2,840,000 will be held in escrow and released to the City after the Homekey Program Subrecipient Agreement has been executed and Restrictive Covenant has been executed and recorded against the properties. The City will then provide the \$2,840,000 to Walden for rehabilitation costs.

Prepared by:	Agripina Neubauer, Project Manager
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:	Jack Liu, Interim City Attorney

Attachment: Homekey Program Subrecipient Agreement