



*City of Arts & Innovation*

# City Council and Housing Authority Memorandum

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

FROM: OFFICE OF HOMELESS SOLUTIONS WARD: 1

SUBJECT: FIRST 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 IN \$833,031.28 OF HOME INVESTMENT PARTNERSHIPS PROGRAM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION GRANT FUNDS FOR THE DEVELOPMENT OF TEN SMALL COTTAGE-STYLE HOMES ON HOUSING AUTHORITY-OWNED PROPERTY LOCATED AT 2825-2841 MULBERRY STREET

## **ISSUES:**

Approve a First 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 HOME Investment Partnerships Community Housing Development Organization grant funds in the amount of \$833,031.28 for the development of ten small cottage-style homes on Housing Authority-owned property located at 2825-2841 Mulberry Street.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve a First Amendment to Development Agreement for the Mulberry Village Development Project with Habitat for Humanity Riverside, Inc. and the Housing Authority of the City of Riverside for an additional allocation of \$833,031.28 in HOME Investment Partnerships Program Community Housing Development Organization grant funds for a total allocation of \$1,717,281.28 for the development of ten small cottage-style homes on Housing-Authority-owned property located at 2825-2841 Mulberry Street;
2. Authorize the City Manager, or designee, to execute the First Amendment to Development Agreement for the Mulberry Village Development Project, including making minor and non-substantive changes; and

That the Housing Authority:

1. Approve a First Amendment to Development Agreement for the Mulberry Village Development Project with Habitat for Humanity Riverside, Inc. and the City for an additional allocation of \$833,031.28 in HOME Investment Partnerships Program Community Housing Development Organization funds for a total allocation of \$1,717,281.28 for 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 First Amendment to Development Agreement for the Mulberry Village Development Project with Habitat for Humanity Riverside, Inc. and the City, 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 as either vacant land or 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 (\$30,800 for one person in 2022).

On June 18, 2019, the City Council approved a Development Agreement for the Mulberry Village Development Project with Habitat for Humanity Riverside, Inc. (Habitat) and the Authority to provide \$884,250 in HOME Investment Partnerships (HOME) Program grant funds for the Mulberry Village Project, a development of ten small cottage-style homes on the 0.48-acre parcel (Project). The Project's mission is to 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 supportive housing. The Housing Authority will retain ownership of the project site, which must remain affordable for 55 years. Management of the property will be conducted by Riverside Housing Development Corporation (RHDC) who currently manages the Housing 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.

### **DISCUSSION:**

The City has received a funding request from Habitat in the amount of \$1,271,149 to cover unexpected project related costs. Historically, Habitat has been able to utilize volunteered labor and donated materials to keep their construction costs down. Due to the COVID pandemic, Habitat's insurance carrier would not allow them to utilize volunteers, which resulted in unexpected labor costs. The cost of materials had also increased due to supply shortages and the inability to obtain the anticipated donated materials. To cover the Project's funding gap of \$1,271,149, staff is recommending allocating \$833,031.28 in HOME Community Housing Development Organization (CHDO) grant funds and \$438,117.72 in Neighborhood Stabilization Program (NSP) 1 grant funds which will be requested at a future date.

Below is a breakdown of the original and revised Project budget.

Uses of Funds		
Activity	Original Project Budget	Revised Project Budget
Land acquisition and closing costs	\$ 0	\$ 0
Construction	\$511,069	\$1,340,920
Professional fees/soft costs	\$178,096	\$ 571,220
Permit fees	\$ 54,200	\$ 54,200
Contingency	\$ 40,885	\$ 89,059
Developer fee	\$100,000	\$ 100,000
<b>Total Development Cost</b>	<b>\$884,250</b>	<b>\$2,155,399</b>

The First Amendment to Development Agreement for the Mulberry Village Development Project for the additional \$833,031.28 in HOME CHDO grant funds is attached to this staff report. Staff is in the process of submitting a request to the City Attorney's Office to draft a Development Agreement for the NSP grant funds, which will be presented to City Council in December 2022 for consideration.

### **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** – Pursuant to the Housing Community Act of 19745, 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** – This item allows the City to utilize unused HOME and NSP 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 City to complete the development of the Mulberry Village that will create 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 \$833,031.28. Funding in the amount of \$833,031.28 is budgeted and available in the HOME Investment Partnerships Program Fund, Home Unprogrammed Funds Account 2835200-453001.

Upon Council approval, \$833,031.28 a budget adjustment will be recorded from the HOME Investment Partnerships Program Fund, Home Unprogrammed Funds account 2835200-453001 to the Mulberry Village Project account 2835200-453205.

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 Norton, City Attorney

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