



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: DECEMBER 6, 2022

FROM: OFFICE OF HOMELESS SOLUTIONS WARD: 1

SUBJECT: HOME INVESTMENT PARTNERSHIPS LOAN AGREEMENT BY AND BETWEEN THE CITY OF RIVERSIDE AND THE ASPIRE, LP FOR \$459,981 OF HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDS FOR THE DEVELOPMENT OF ELEVEN HOME-RESTRICTED AFFORDABLE HOUSING UNITS AS PART OF THE ASPIRE PROJECT, A 32-UNIT MULTIFAMILY AFFORDABLE HOUSING PROJECT FOR TERMED-OUT FOSTER YOUTH AND HOMELESS YOUTH LOCATED AT 3861-3893 THIRD STREET

ISSUE:

Approval of a HOME Investment Partnerships Loan Agreement with The Aspire, LP for \$459,981 of HOME Investment Partnerships Program funds for the development of eleven HOME-restricted affordable housing units as part of The Aspire Project, a 32-unit multifamily affordable housing project for termed-out foster youth and homeless youth located at 3861-3893 Third Street.

RECOMMENDATIONS:

That the City Council:

1. Approve a HOME Investment Partnerships Loan Agreement with The Aspire, LP for \$459,981 of HOME Investment Partnerships Program funds for the development of eleven HOME-restricted affordable housing units as part of The Aspire Project, a 32-unit multifamily affordable housing project for termed-out foster youth and homeless youth located at 3861-3893 Third Street; and
2. Authorize the City Manager, or designee, to execute the HOME Investment Partnerships Loan Agreement with The Aspire, LP, including making minor and non-substantive changes.

BACKGROUND:

On June 22, 2010, the City Council authorized the acquisition of the Su Casa Apartments, a property located at 3861 - 3893 Third Street (APNs: 213-071-006; 213-071-007; 213-071-008) for the development of affordable housing. Five structures on the site were subsequently demolished and the tenants relocated.

On June 1, 2018, and March 14, 2019, the Housing Authority issued Request for Proposals for the development of 3861 - 3893 Third Street (Site) for an infill residential project benefitting termed out foster youth and homeless youth. This project was conceptually developed in partnership with

the Housing Authority of the City of Riverside, Riverside Community College District, County of Riverside Workforce Development, Riverside County Housing Authority, Alvord Unified School District, and Riverside Unified School District. Innovative Housing Opportunities (IHO) was deemed the highest scoring response to Request for Proposal 18-03 with a proposal to develop a 32-unit multifamily affordable housing project for termed-out foster youth and homeless youth located at 3861-3893 Third Street (Project).

On August 6, 2019, the Housing Authority Board approved Resolution R-14 supporting IHO's funding application to the State's Multifamily Housing Program and a Purchase Option Agreement with IHO in order to establish minimum site control necessary to apply for State housing funds. On April 7, 2020, the Purchase Option Agreement was extended 90 days to expire on September 30, 2020. IHO has since formed The Aspire LP as the legal entity that will develop the Project.

On December 15, 2020, the City Council adopted a Resolution supporting The Aspire Project and The Aspire, LP's funding applications to the California Department of Housing and Community Development, to the California Tax Credit Allocation Committee, and to the City for up to \$459,981 in HOME Investment Partnerships Program funds for the development of the Project.

DISCUSSION:

When underwriting HOME Investment Partnerships (HOME) Program funding applications, the HOME Program regulations require that staff obtain all funding commitments evidenced by award letters. Staff has completed the underwriting review process for The Aspire, LP's HOME Program funding application.

The Resolution R-14 that was adopted on December 15, 2020, acted as a forward commitment of HOME Program funds, which allowed The Aspire, LP to apply for funding from the State of California and other sources of housing finance to make the developer's application competitive for these funding sources. The Aspire, LP has obtained all of the Project's financing award letters, which have been submitted to City staff for review and approval. Staff can now proceed with presenting the HOME Loan Agreement to City Council for consideration.

The eleven HOME-restricted units will be affordable for 55 years to very low income (at or below 50% of area median income, for one person household is \$30,800) termed-out foster youth and homeless youth.

The total development cost for the Project is \$25,552,355.

Below is a breakdown of the Project's funding sources.

Funding Source	Funding Amount
Housing Authority land write-down	\$ 900,000
City HOME Loan	\$ 459,981
City Permanent Local Housing Allocation (PLHA) Loan	\$ 541,019
Tax Credit Proceeds	\$14,387,412
Multifamily Housing Program (MHP) Loan	\$ 7,678,832
Deferred Developer Fee	\$ 1,585,111
Total	\$25,552,355

The following is a breakdown of the project costs.

Activity	Amount
Land costs	\$ 912,980
Permits, fees, and studies	\$ 1,950,703
Direct construction costs	\$13,324,783
Offsites	\$ 441,300
Contingency	\$ 788,304
Developer fee	\$ 2,735,989
Indirect construction costs	\$ 979,752
Rent-up costs	\$ 398,946
Reserves	\$ 2,498,344
Financing costs	\$ 1,521,254
Total	\$25,552,355

STRATEGIC PLAN ALIGNMENT:

The Project supports **Strategic Priority 2 – Community Well-Being**, and specifically, **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.

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 this action is \$459,981. Funds are budgeted and available in the HOME Investment Partnership Fund, Unprogrammed Funds account 2835200-453001. Upon Council

approval, a budget adjustment in the amount of \$459,981 will be recorded from the HOME Investment Partnership Fund, Unprogrammed Funds account 2835200-453001 to the Aspire Project account 2835200-450098.

Prepared by: Michelle Davis, Housing Authority Manager and Acting Deputy Director

Certified as to

availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer

Approved by: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer

Approved as to form: Phaedra A. Norton, City Attorney

Attachment: HOME Investment Partnerships Loan Agreement