



*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 FOR \$255,000 OF HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDS; AND A REHABILITATION AGREEMENT FOR THE CEDAR STREET PROJECT FOR \$471,000 OF COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS BY AND BETWEEN THE CITY OF RIVERSIDE AND RIVERSIDE HOUSING DEVELOPMENT CORPORATION FOR THE DEVELOPMENT OF THREE AFFORDABLE HOUSING UNITS LOCATED AT 4292 CEDAR STREET**

## **ISSUE:**

Approval of a HOME Investment Partnerships Loan Agreement for \$255,000 of HOME Investment Partnerships Program funds; and a Rehabilitation Agreement for the Cedar Street Project for \$471,000 of Community Development Block Grant funds with Riverside Housing Development Corporation for the development of three affordable housing units located at 4292 Cedar Street.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve a HOME Investment Partnerships Loan Agreement with Riverside Housing Development Corporation for \$255,000 of HOME Investment Partnerships Program funds for the development of three affordable housing units located at 4292 Cedar Street;
2. Authorize the City Manager, or designee, to execute the HOME Investment Partnerships Loan Agreement with Riverside Housing Development Corporation, including making minor and non-substantive changes;
3. Approve a Rehabilitation Agreement for the Cedar Street Project with Riverside Housing Development Corporation for \$471,000 of Community Development Block Grant funds for the development of three affordable housing units located at 4292 Cedar Street; and
4. Authorize the City Manager, or designee, to execute the Rehabilitation Agreement for the Cedar Street Project with Riverside Housing Development Corporation, including making minor and non-substantive changes.

**BACKGROUND:**

In the Summer of 2021, the Riverside Housing Development Corporation (RHDC) proposed a project to purchase property located at 4292 Cedar Street (Property) and rehabilitate a single-family house into three affordable housing units. RHDC requested \$255,000 of HOME Investment Partnerships (HOME) funds for Property acquisition, and \$471,000 of Community Development Block Grant (CDBG) funds to be for rehabilitation of the Property. The remainder of the development costs will be covered by a private bank loan to RHDC.

On September 21, 2021, the City Council authorized the reallocation of \$471,000 in CDBG funds to be used for the rehabilitation of the property into a front unit, Accessory Dwelling Unit (ADU) and Junior Accessory Dwelling Unit (JADU).

On October 26, 2022, the Office of Homeless Solutions and Community & Economic Development Department entered into a CDBG Interdepartmental Memorandum of Understanding (MOU) for the \$471,000 of CDBG funds.

**DISCUSSION:**

When underwriting HOME Program funding applications, the HOME Program regulations require staff to obtain all funding commitments prior to entering into an agreement for HOME funds. Since the City has executed the MOU for \$471,000 of CDBG funds and RHDC has submitted a commitment letter from their bank for a loan of \$102,000, staff can proceed with presenting the HOME Loan Agreement and Rehabilitation Agreement for the Cedar Street Project with RHDC for City Council's consideration.

The three HOME-assisted units will be restricted for 55 years to the following income categories:

<b>Income Category</b>	<b>Income Limit</b>	<b>Annual Income for One Person Household</b>
Very low income	At or below 50% of area median income	\$30,800
Low income	Between 51% - 60% of area median income	\$36,960

The total development cost for the project is \$828,000.

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

<b>Funding Sources</b>	<b>Amount</b>
CDBG Funds	\$471,000
HOME Funds	\$255,000
Bank Loan	\$102,000
<b>Total</b>	<b>\$828,000</b>

The following is a breakdown of the project costs.

Activity	Amount
Land Acquisition	\$357,000
Soft Costs	\$38,280
Off Site Construction Costs	\$31,000
On Site Construction Costs	\$276,980
Holding Costs	\$20,000
Contingency	\$44,740
Developer Fee	\$60,000
<b>Total</b>	<b>\$828,000</b>

### **STRATEGIC PLAN ALIGNMENT:**

The Project supports **Strategic Priority 2 – Community Well-Being**, 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 the action is \$255,000, which funding is budgeted and available in the HOME Unprogrammed Funds Account. Upon Council approval, a budget adjustment will be recorded from HOME Investment Partnership Program Fund, Unprogrammed Funds account number 2835200-453001 to the 4292 Cedar St Project account number 2835200–453071.

Prepared by: Michelle Davis, Housing Authority Manager  
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

Attachments:

1. HOME Investment Partnerships Loan Agreement
2. Rehabilitation Agreement for the Cedar Street Project