



City of Arts & Innovation

Development Committee

TO: DEVELOPMENT COMMITTEE MEMBERS DATE: JANUARY 19, 2017

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1
DEPARTMENT

SUBJECT: DEVELOPMENT PROPOSAL FROM TWIN BUILDERS, CORONA, CALIFORNIA, TO ACQUIRE HOUSING AUTHORITY OWNED PROPERTY LOCATED AT 3105 REDWOOD DRIVE AND DEVELOP A SINGLE-FAMILY HOME CREATING A HOMEOWNERSHIP OPPORTUNITY FOR A LOW INCOME FIRST-TIME HOMEBUYER; DEVELOPMENT SUBSIDY IN THE FORM OF A WRITE DOWN OF LAND VALUE TO \$1 AND DEVELOPMENT LOAN FOR \$116,135 IN FEDERAL HOME INVESTMENT PARTNERSHIP PROGRAM FUNDS - DIRECT SUBMITTAL

ISSUES:

Recommend to the Housing Authority to approve a proposal from Lyle Castillo, doing business as Twin Builders, Corona, California to acquire Housing Authority owned property located at 3105 Redwood Drive for \$1; and recommend to the City Council receive a loan of up to \$116,135 in Federal HOME Investment Partnership Program funds to develop a single-family home and detached garage creating a homeownership opportunity for a low income first-time homebuyer.

RECOMMENDATIONS:

That the Development Committee recommend to the Housing Authority to approve a proposal from Lyle Castillo, doing business as Twin Builders, Corona, California to acquire Housing Authority owned property located at 3105 Redwood Drive for \$1 to develop a single-family home and detached garage creating a homeownership opportunity for a low income first-time homebuyer.

That the Development Committee recommend to the City Council to approve a loan of up to \$116,135 in Federal HOME Investment Partnership Program funds, \$66,135 as a development loan and \$50,000 for down payment assistance for a qualified buyer, as gap financing to facilitate development of a homeownership opportunity for a low income first-time homebuyer.

BACKGROUND:

On April 23, 2013, the Housing Authority of the City of Riverside (Housing Authority) acquired the property and single-family structure located at 3105 Redwood Drive (Attachment 1) from the City of Riverside's Parks, Recreation and Community Services Department. During an evaluation of the building, a number of structural issues were identified resulting in the structure being demolished in 2014.

The vacant property was then placed on the Housing Authority's Request for Proposals - Development Opportunities webpage. Twin Builders submitted a proposal to develop the site as an affordable homeownership opportunity to the Housing Authority.

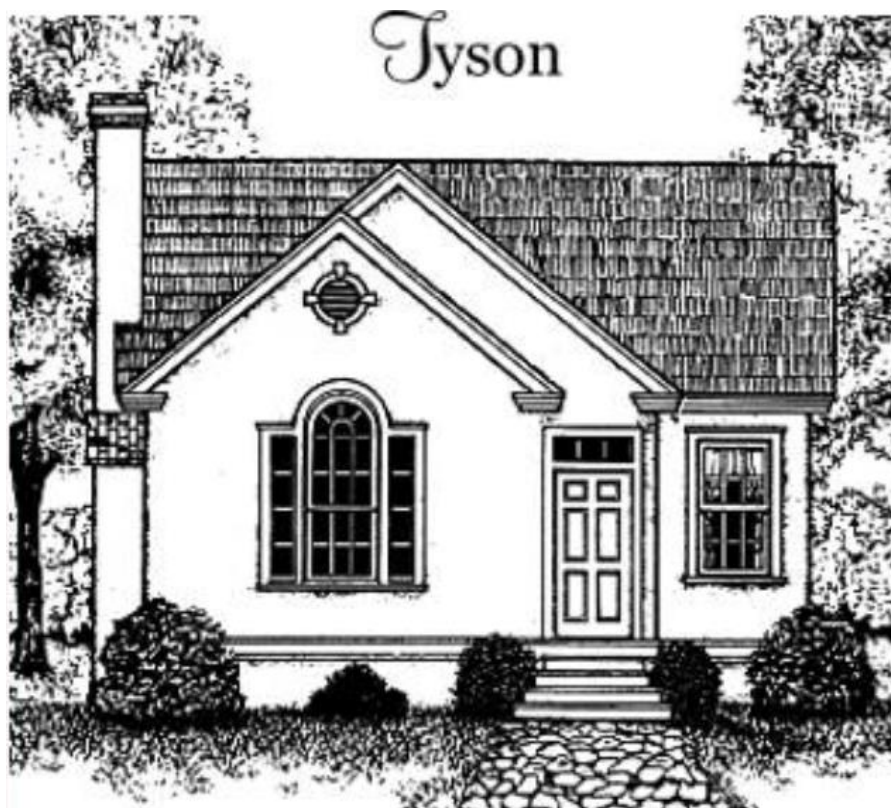
An affordable housing cost, for a home-ownership opportunity, is a monthly housing cost that does not exceed 35% of a household's monthly income. To income qualify, a household's income must not exceed 80% of the Area Median Income for Riverside County, \$51,100 for a household of four persons.

HOME Funds are received annually by the City of Riverside from the United States Department of Housing and Urban Development for the production of affordable housing opportunities.

DISCUSSION:

Lyle Castillo, doing business as Twin Builders (Twin Builders), a sole proprietor based in Corona, California has worked in the City of Riverside in various capacities for the past seven years with both the Housing Authority, to rehabilitate vacant foreclosed housing units and make them available to low- and moderate-income households and the Code Enforcement Division to abate public nuisances.

On August 22, 2016 Twin Builders submitted a proposal to construct a 1,372 square foot three-bedroom, two bath, single-story home on a 6,615 square foot parcel (Attachment 2) located at 3150 Redwood Drive. An image of the conceptual design is below and blends with the existing neighborhood aesthetic



Development Budget

| Uses of Funds | | Sources of Funds | |
|--|------------------|---|------------------|
| Land Acquisition | \$46,305 | Private Equity & Construction Loan | \$308,750 |
| Unit Construction | \$254,318 | GAP | \$112,439 |
| Permit/Impact/ Utility Connection Fees | \$38,316 | Subsidy Requested | |
| Construction Loan Fees | \$3,447 | Write Down of Land Value to \$1 | \$46,304 |
| Developer Fee | \$42,934 | HOME Loan – Forgivable | \$66,135 |
| TOTAL DEV. COST: | \$421,189 | TOTAL AVAILABLE SOURCES: | \$421,189 |

The total development cost of the project is \$421,189. Twin Builders has identified sufficient private equity and loan resources to fund \$308,750 of project development costs, leaving a funding gap of \$112,439.

Of the \$112,439 funding gap, \$46,305 is estimated to be the land value of 3105 Redwood Drive. Twin Builders requests the Housing Authority to write down the land value of 3105 Redwood Drive to \$1, thereby reducing the funding gap to \$66,135 and the development cost to \$374,885. Twin Builders requests the City to provide a development loan in the amount of \$66,135, to be forgiven after the proposed home has been developed and sold to an income-eligible household.

Homeownership development projects assisted with HOME Program funds require a long-term affordability period of 15 years. The buyer must income qualify at the time of sale, and if the home is subsequently sold during the following 15 year period, the new homebuyer's annual household income must not exceed 80% of Area Median Income.

Affordability

| Affordable Mortgage | | Housing Cost vs. Affordable Mortgage | |
|--|------------------|--------------------------------------|-----------------|
| Annual Household Income (80% AMI) | \$51,100 | Est. Market Rate of Home | \$330,000 |
| Affordable Housing Cost (35% of Annual Income) | \$1,490.42 | Affordable Mortgage | \$280,000 |
| Affordable Mortgage Amount | \$280,000 | Affordability Gap | \$50,000 |

To be eligible to purchase a housing unit assisted with HOME Program funds, a household's income must not exceed 80% of the Area Median Income for Riverside County, \$51,100 for a household of four persons. The United States Department of Housing and Urban Development dictates that an affordable monthly housing cost should not exceed 35% of a household's monthly income, \$1,490.42 inclusive of property taxes and insurance.

A monthly mortgage payment of \$1,490.42 can support a principal mortgage amount of approximately \$280,000. The current market rate for a similar three-bedroom, two-bath home in

the Redwood Drive neighborhood is \$330,000, leaving a gap of up to \$50,000 between the amount an income-qualified household can afford and the current market rate of a new home.

Twin Builders is requesting up to \$50,000 of HOME Investment Partnerships Program funds to provide a qualified buyer with down payment assistance to facilitate the purchase of the home at a sales price not to exceed \$330,000.

The development team assembled by Twin Builders includes INTERO Real Estate Services, an agent well versed in working with lower-income households in search of affordable homeownership and the home buying resources available. INTERO Real Estate services proposes to use community based marketing strategies aimed at reaching income-qualified households, such as presenting the opportunity through local non-profit affordable housing agencies like the Fair Housing Council of Riverside County, in addition to traditional listing on the Multiple Listing Services.

FISCAL IMPACT:

There is no fiscal impact to the General Fund.

The \$116,135 in federal HOME Investment Partnerships Program funds are available in the HOME Unprogrammed Funds Account 2835200-453001 to provide Twin Builders with a development loan of \$66,135 and down payment assistance for an income eligible homebuyer of up to \$50,000.

The Housing Authority foregoes potential sales proceed in the amount of \$46,305 related to the write down of land value for 3105 Redwood Drive.

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| Prepared by: | Rafael Guzman, Community & Economic Development Director |
| Certified as to | |
| availability of funds: | Scott G. Miller, PhD, Chief Financial Officer/City Treasurer |
| Approved by: | Al Zelinka, FAICP, Assistant City Manager |
| Approved as to form: | Gary G. Geuss, City Attorney |

Attachments:

1. 3105 Redwood Drive – Location Map
2. Conceptual Site Plan, Floor Plan and Elevation
3. Presentation