



*City of Arts & Innovation*

# Development Committee

**TO: DEVELOPMENT COMMITTEE MEMBERS                      DATE: JANUARY 19, 2017**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT              WARD: 2**  
**DEPARTMENT**

**SUBJECT: DEVELOPMENT PROPOSAL FROM RIVERSIDE ART MUSEUM TO FINANCE ACQUISITION OF LAND AND CONSTRUCTION OF A SINGLE-FAMILY HOME AND DETACHED GARAGE AT 4307 PARK AVENUE TO BE RENTED TO A LOW INCOME HOUSEHOLD AND PROVIDE A LOAN OF UP TO \$393,400 IN FEDERAL HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDS AND HOUSING AUTHORITY FUNDS - DIRECT SUBMITTAL**

## **ISSUE:**

Recommend to City Council approval of a development proposal from Riverside Art Museum, Riverside, California, to finance the acquisition of land located at 4307 Park Avenue and construction of a two bedroom, single-family home and detached garage to be rented to a low-income household and provide a loan of up to \$393,400 in Federal HOME Investment Partnership Program funds and Housing Authority funds.

## **RECOMMENDATIONS:**

That the Development Committee recommend to City Council approval of a development proposal from Riverside Art Museum to finance the acquisition of land and construction of a single-family home and detached garage at 4307 Park Avenue to be rented to a low-income household and provide a loan of up to \$393,400 in federal HOME Investment Partnerships Program funds and Housing Authority funds.

## **BACKGROUND:**

The Riverside Art Museum (RAM) is located in the City's historic downtown district, and as the only significant visual arts center within a 40-mile radius, engages approximately 50,000 people annually. Formed in the early 1950s, RAM became a 501 (c) 3 non-profit organization in 1959, and purchased their current facility in 1967. RAM's mission is to "integrate art into the lives of people in a way that engages, inspires, and builds community by presenting quality exhibitions and high arts classes that install a lifelong love of the arts." RAM provides a diverse array of exhibitions, outreach, youth and adult educational opportunities and is continually searching out innovative and collaborative ways to bring arts to the community. RAM has received grants from the California Arts Council and the James Irvine Foundation with an emphasis in community based neighborhood visioning, and discussions of issues relevant to a specific neighborhood, using art as a vehicle for discussion and development of solutions.

RAM will be launching Project Bici: Stories from the Eastside in February 2017. Supported by a grant from the California Arts Council to engage lower-income residents from the Eastside community through a series of artist-driven workshops that encourage residents to tell, write and archive their stories that will be showcased in pop-up exhibits on vacant lots, alleys and at RAM. The staging of pop-up exhibits on vacant land and in alleyways helps to fill a void caused by violence and discarded remnants of the community. The pop-up exhibit at RAM will share the stories of Eastside participants with the broader Riverside community and give voice to a traditionally underserved community. The project will occur over a 10-week period. Both the artist and RAM staff involved in this project are bilingual.

## **DISCUSSION:**

### **The Concept**

RAM's proposal seeks to provide a longer-term commitment to the Eastside Neighborhood while providing an affordable rental opportunity. The Branch – A Neighborhood Centered Housing and Arts Program, is a collaborative development between the Riverside Art Museum, University of California Riverside's (UCR) Master Gardner Program and Riverside Housing and Development Corporation (RHDC), a local, non-profit, affordable housing developer to increase the availability of programming and education centered on the fine arts, urban agriculture and neighborhood collaboration.

This program will develop a vacant, underutilized lot located at 4307 Park Avenue to provide an affordable rental opportunity for an income qualified artist. While living within the community, the artist will engage with their neighbors and lead art programming with the goal to engage, inspire and build community through the arts. The programming will cultivate individual skills, foster social interactions and promote neighborhood development. UCR's Master Gardner program has committed to creating a passive demonstration garden, showcasing how an underutilized front-yard area can be transformed into an active, water-wise garden that produces food for residents and neighbors.

Artist residences will vary in duration, but are expected to last approximately six to twelve months. As a social-practice residency, artists will be charged with developing art-based projects that will resonate with the community. RAM's selection of artists will ensure that they have the skills to activate partners and the public in their work, that they have a keen understanding of their role in the community and that they have the ability to engage and communicate with residents. Artists will get-to-know their neighbors, hear their stories, and respond with programming that is relevant and substantive.

### **Development**

RAM has selected RHDC to join the Development Team in the role of property owner, developer and property manager, due to their experience as a non-profit affordable housing developer in the City and in compliance with federal and state regulations surrounding affordable housing.

RHDC anticipates acquiring and holding title to the vacant, underutilized 5,409 square foot parcel located at 4307 Park Avenue. The Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) currently owns the property and is required to dispose of it for not less than fair market value, \$38,500.



**The Branch**—4307 Park Avenue, Riverside—Eastside Neighborhood

An 805 square foot, two-bedroom, one-bath, single-family home and detached two-car garage will be developed on the subject site. The development team has selected model SD127 (Attachment 1) by Stillwater Dwellings, a pre-fabricated home, as the preferred home. The small square footage is of appropriate scale for the sub-standard size lot.

### Affordability

HOME Investment Partnerships (HOME) Program funds are received annually by the City of Riverside from the United States Department of Housing and Urban Development (HUD) for the production of affordable housing opportunities. HUD annually publishes the maximum annual income a household can make and qualify for assistance under HUD programs and the maximum rent that may be charged for units assisted with HUD funds, HOME and Housing Authority Funds.

To be eligible to rent 4307 Park Avenue, if assisted with HOME or Housing Authority funds, a household's income must not exceed 80% of the Area Median Income (AMI), \$51,100 for a household of four persons. For a monthly housing cost to be considered affordable to a household, the housing cost cannot exceed 30% of the household's monthly income. The HUD HOME Rent Limit for a two-bedroom unit is \$964 minus the utility allowance published annually by the County of Riverside Housing Authority. Two-bedroom homes in the Eastside Neighborhood are renting at market rate of \$1,350 per month. Market rate rental homes are not affordable to households making 80% AMI.

Though the maximum household income is capped at 80% AMI, according to the 2010-2014 American Community Survey 5-year estimates, more than one-half of the eastside neighborhood makes less than 60% AMI, \$38,340 per year, making an affordable rent less than \$958.50 per

month. As stated above, market rate rent for a similarly sized unit is \$1,350 per month, well outside the range of affordability for a household making 60% AMI. 4307 Park Avenue is expected to rent for \$892 per month, after the expected utility allowance. This unit will be affordable to households currently residing in the Eastside Neighborhood.

The development proposal has been vetted with the Community, including the Lincoln Park Advisory Committee, Eastside HEAL Zone and discussed at numerous neighborhood events, each time receiving full support.

### Development Budget

Uses of Funds		Sources of Funds	
Land Acquisition	\$38,500	Housing Authority Funds	\$157,208
Construction	\$300,000	City – HOME Funds	\$191,477
Professional Fees/ Soft Costs	\$54,900	Deferred Developer's Fee	\$44,715
<b>Total Development Cost</b>	<b>\$393,400</b>	<b>Total Sources of Funds</b>	<b>\$393,400</b>

The total development cost of the project is \$393,400. RAM has sufficient resources to fund programming, however, none of the RAM's resources can be used for capital improvements. Once completed, the projected gross rental receipts are expected to be \$10,704 per year and are sufficient to fund the annual operational costs of the rental unit, estimated to be \$5,260 per year, such as management fees, maintenance and repairs, insurance and replacement reserves. The project is expected to generate approximately \$5,444 in gross revenue each year.

Neither RAM nor RHDC have sufficient funds to acquire the land, or complete the initial capital improvements, creating a funding gap of \$393,400. However, once constructed the project would be self-supporting and create a minor revenue stream, to spur other affordable housing developments.

To close the funding gap RHDC is willing to loan a portion of their developer fee, \$44,715 to the project. In addition, the following City funds are available to support the project: \$191,477 of federal HOME funds and \$157,208 of Housing Authority funds.

Development projects assisted with HUD funding require long-term affordability. HOME funds require a minimum 20-year affordability period, Housing Authority funds requires a 55-year affordability period. As the Housing Authority funds affordability period is more restrictive, 4307 Park Avenue will be required to remain affordable to households making at or below 80% AMI for a period of 55-years.

### **FISCAL IMPACT:**

There is no fiscal impact to the General Fund. To provide the RHDC with an acquisition and development loan, funding is available from account 2835200-45001, HOME Unprogrammed Funds (\$191,477) and account 0000280-298000, Housing Authority Fund (\$134,251.86).

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

Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Conceptual Elevation & Site Plan
2. Presentation