



*City of Arts & Innovation*

# City Council and Housing Authority Memorandum

TO: HONORABLE MAYOR, CITY COUNCIL AND HOUSING AUTHORITY COMMISSIONERS DATE: JULY 11, 2017

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: 2

SUBJECT: DEVELOPMENT AGREEMENT WITH RIVERSIDE HOUSING DEVELOPMENT CORPORATION IN PARTNERSHIP WITH 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 \$435,900 IN FEDERAL HOME INVESTMENT PARTNERSHIPS PROGRAM FUNDS AND HOUSING AUTHORITY FUNDS – SUPPLEMENTAL APPROPRIATION

## **ISSUE:**

Approve a Development Agreement with Riverside Housing Development Corporation in partnership with the Riverside Art Museum to finance acquisition of land located at 4307 Park Avenue and construction of a single-family home and detached garage to be rented to a low-income household and provide a loan in the amount of \$252,662 from the federal HOME Investment Partnerships Program fund and \$183,238 from Housing Authority fund.

## **RECOMMENDATIONS:**

That the City Council and Housing Authority:

1. Approve a Development Agreement, loan documents and regulatory documents with Riverside Housing Development Corporation in partnership with the Riverside Art Museum to finance acquisition of land located at 4307 Park Avenue and construction of a single-family home and detached garage to be rented to a low-income household and provide a loan in the amount of \$252,662 from the federal HOME Investment Partnerships Program fund and \$183,238 from Housing Authority funds; and
2. Authorize the City Manager and Executive Director, or his designee, to execute the Development Agreement with Riverside Housing Development Corporation to carry out the project identified in this staff report, including making minor and non-substantive changes.
3. City Council authorization to process a budget transfer in the amount of \$252,662 from the HOME Unprogrammed Account Number 2835200-453001 to a project account to be established by Finance under the HOME Program 221 Fund.

4. Housing Authority authorization of a supplemental appropriation of \$183,238 from the Housing Authority Fund Balance Account No. 0000280-298000 to a project account to be established by Finance under the Housing Authority 280 Fund.

### **COMMITTEE RECOMMENDATION:**

The Development Committee met on January 19, 2017, with Chair Gardner, Vice Chair Davis and Member Melendrez present, to consider a development proposal from Riverside Housing and Development Corporation and the Riverside Art Museum, to acquire vacant land at 4307 Park Avenue, develop a single-family home creating an affordable rental opportunity for a low income household; development subsidy in the form of an acquisition and development loan of \$191,477 in federal HOME Investment Partnership Program funds and \$183,238 of Housing Authority Funds.

After discussion the Committee unanimously voted to recommend that the City Council approve the development proposal and request 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 a loan of up to \$348,685 in federal HOME Investment Partnerships Program funds and Housing Authority funds.

After Development Committee conceptually approved the project, the proposed development changed from a two bedroom to a three bedroom single-family house, which has increased the project budget to \$435,900 and does not include a deferred developer fee.

### **BACKGROUND:**

Riverside Housing Development Corporation (RHDC) is a non-profit, affordable housing developer that owns and operates a variety of affordable rental housing opportunities throughout the Inland Empire. RHDC has extensive experience as both owners of rental property and as property managers.

The Riverside Art Museum (RAM) is located in the City's historic downtown district, and as the only significant visual arts center within a 4-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, and 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 the 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.

RHDC and RAM are partnering to provide both an affordable housing opportunity for a low-income household and a larger community benefit via art programming based on the experiences and desires of the residents of the Eastside Neighborhood.

## **DISCUSSION:**

### *The Concept*

The Branch – A Neighborhood Centered Housing and Arts Program, is a collaborative effort between RAM and RHDC to increase the availability of programming and education centered on the fine arts, urban agriculture and neighborhood collaboration and seeks to provide a longer-term commitment to the Eastside Neighborhood while providing an affordable rental opportunity.

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 residencies 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 artist will insure 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 and RHDC have formed a partnership wherein RHDC will acquire the property, facilitate development and provide property management services, including ensuring that the RAM identified artist complies with all 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



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

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 and closing costs which is \$41,000.

A 1,300 square foot, three-bedroom, two-bath, single-family home and two car garage will be developed on the subject site. 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 and Housing Authority funds, a household's income must not exceed 80% of the Area Median Income (AMI) for Riverside County, \$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 three-bedroom unit is \$975 minus the utility allowance published annually by the County of Riverside Housing Authority. Three-bedroom homes in the Eastside Neighborhood are renting at a market rate of \$1,675 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 residents of the Eastside Neighborhood make less than 60% AMI, \$38,340 per year, making an affordable rent less than \$958.50 per month. As stated above, the market rent for a similarly sized, 3-bedroom units is \$1,675 per month, well outside the range of affordability for a household making 60% AMI. 4307 Park Avenue is expected to rent for \$820 per month, after the expected utility allowance. This unit will be affordable to households currently residing in the Eastside Neighborhood and participating in RAM's artist residency program.

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	\$ 41,000		
Construction	\$322,400	Housing Authority Funds	\$183,238
Professional Fees/ Soft Costs	\$ 52,500	City – HOME Funds	\$252,662
Contingency	\$ 20,000		
<b>Total Development Cost</b>	<b>\$435,900</b>	<b>Total Sources of Funds</b>	<b>\$435,900</b>

The total development cost for the project is \$435,900. RAM has sufficient resources to fund programming, however, none of 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 operating 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 and developing the property, creating a funding gap of \$435,900. However, once constructed the project would be self-supporting and create a minor revenue stream, to spur other affordable housing developments.

The following City funds are available to support the project: \$252,662 of federal HOME funds and \$183,238 of the 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 require a 55-year affordability period. As the Housing Authority 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 RHDC with an acquisition and development loan, \$183,238 is available in the HOME Unprogrammed Account No. 2835200-453001 and \$252,662 is available in the Housing Authority Fund Account Number 0000280-298000.

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

Concurs with:



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Mike Gardner, Chair  
Development Committee

Attachments:

1. Conceptual Elevation & Site Plan
2. Agreement