



*City of Arts & Innovation*

# City Council and Housing Authority Memorandum

**TO: HONORABLE MAYOR, CITY COUNCIL AND HOUSING AUTHORITY COMMISSIONERS** **DATE: JULY 25, 2017**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT** **WARDS: 5**

**SUBJECT: HOME INVESTMENT PARTNERSHIPS PROGRAM LOAN AGREEMENT WITH HABITAT FOR HUMANITY RIVERSIDE, INC. TO PROVIDE \$950,000 OF HOME PROGRAM FUNDS TOWARDS THE DEVELOPMENT OF FOUR SINGLE-FAMILY HOUSES LOCATED AT 3753 MYERS STREET FOR VETERANS' HOMEOWNERSHIP OPPORTUNITIES AND FIRST AMENDMENT FOR 3753 MYERS STREET WITH HABITAT FOR HUMANITY RIVERSIDE, INC. TO THE DISPOSITION AND DEVELOPMENT AGREEMENT TO DECREASE THE DEVELOPMENT SIZE FROM TWELVE TO FOUR RESIDENTIAL UNITS**

## **ISSUES:**

City Council to approve the Home Investment Partnerships Program Loan Agreement with Habitat for Humanity Riverside, Inc., to provide \$950,000 of HOME Program funds towards the development of four single-family houses located at 3753 Myers Street for veterans' homeownership opportunities.

Housing Authority to approve a First Amendment to Disposition and Development Agreement with Habitat for Humanity Riverside, Inc., to reduce the development size from twelve to four residential units.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve and authorize the City Manager, or designee, to execute the Home Investment Partnerships Program Agreement between the City and Habitat for Humanity Riverside, Inc. to allocate \$950,000 of Home Investment Partnerships Program funds towards the development of four single-family houses located at 3753 Myers Street for veterans' homeownership opportunities, including making minor and non-substantive changes; and
2. Authorize a funds transfer in the amount of \$800,000 from the Home Investment Partnerships Program Unprogrammed Funds Account No. 2835200-453001 to the 3753 Myers Street Account No. 2835200-450084.

That the Housing Authority:

1. Approve the First Amendment to Disposition and Development Agreement with Habitat for Humanity Riverside, Inc., to reduce the development size from twelve to four residential units; and
2. Authorize the Executive Director, or designee, to execute the First Amendment to Disposition and Development Agreement with the Habitat for Humanity Riverside.

### **BACKGROUND:**

Habitat for Humanity Riverside, Inc. (Habitat) submitted a proposal to the Housing Authority and City for the development of 12 attached houses that would provide veterans and their families with the opportunity to achieve the dream of homeownership. Habitat requested the Housing Authority to write down the land located at 3753 Myers Street to \$1 and the City to provide a \$150,000 Home Investment Partnerships Program (HOME) predevelopment loan that is forgiven after the 12 homes have been developed and sold to low income (at or below 80% of Area Median Income) veterans who are first-time homebuyers. The California Department of Veterans Affairs (CalVet) would be providing Habitat with \$2,640,000 for construction and permanent financing.

On July 28, 2015, the Housing Authority approved a Disposition and Development Agreement with Habitat to sell them the property located at 3753 Myers Street for \$1 and the City Council approved a HOME Predevelopment Loan Agreement to provide a \$150,000 HOME pre-development loan for the development of a veterans' homeownership community of twelve single-family homes.

### **DISCUSSION:**

As part of the pre-development period, Habitat worked to negotiate the funding terms associated with the CalVet program construction funds. It became apparent that the requirements of the CalVet loan conflicted with the HOME Investment Partnerships Program requirements, specifically CalVet requires that an income qualified buyer obtain title to the home, then transfer title to CalVet, a government entity, for the duration of the 30-year mortgage.

Further, agreements provided by CalVet stated that specific project costs are deemed ineligible for funding, such as any and all common areas, amenities, and any construction that is owned-in-common. The proposed development is a common-interest-development, the building structures are to be owned in-common, making the construction of the buildings and common areas ineligible for CalVet funding. This stipulation was not known at the time of the original CalVet commitment and leaves the project without construction funding.

Due to the conflicts between CalVet and federal HOME Investment Partnerships Program regulations coupled with the inability to secure construction financing through CalVet, a 12-unit, for-sale condominium development is infeasible at 3753 Myers Street. Habitat respectfully requests that the Housing Authority consider amending the Disposition and Development Agreement to reduce the development size from twelve to four residential units and enter into a HOME Loan Agreement to merge the \$150,000 HOME predevelopment loan and the newly requested \$800,000 HOME loan to cover construction costs that are no longer being provided by CalVet. The homes will still be sold to low income first-time homebuyer veterans.

The revised scope will include the development of two houses consisting of three bedrooms and two bathrooms with a total living space of 1,230 square feet and two houses consisting of four bedrooms and two bathrooms with a total living space of 1,350 square feet. The revised elevations

are shown below.



**3 BEDROOM | CRAFTSMAN STYLE**



**4 BEDROOM | PRAIRIE STYLE**

Below is the development budget and source of funds for the project.

Uses of Funds	
Land Acquisition	\$ 1
Construction	\$ 708,000
Professional Fees/Soft Costs	\$ 445,120
Contingency	\$ 25,000
<b>Total Development Cost</b>	<b><u>\$1,178,121</u></b>

Source of Funds	
Gifts-in-Kind Already Secured	\$ 68,000
Grant Funding	\$ 102,500
HOME Loan	\$ 950,000
Habitat Construction Funds	\$ 57,621
<b>Total Sources</b>	<b><u>\$1,178,121</u></b>

To proceed with the development of 3753 Myers Street, staff is requesting an amendment to the Disposition and Development Agreement to decrease the development size from twelve to four residential units and provide \$800,000 in HOME Program funds to cover the cost of predevelopment and construction costs. Staff is also requesting to merge the \$150,000 HOME Predevelopment Loan with the new \$800,000 HOME loan under the attached HOME Loan Agreement.

**FISCAL IMPACT:**

There is no fiscal impact to the General Fund. There is \$800,000 available in the HOME Unprogrammed Account No. 2835200-453001 to fund the Project. The \$150,000 previously allocated HOME Program funds were committed and expended from the 3753 Myers Street Account No. 2835200-450084.

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. HOME Loan Agreement
2. First Amendment to Disposition and Development Agreement