



City of Arts & Innovation

Housing Authority Memorandum

**TO: HONORABLE MAYOR AND HOUSING
AUTHORITY MEMBERS**

DATE: OCTOBER 17, 2017

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 1
DEPARTMENT**

**SUBJECT: TRI PARTY AGREEMENTS WITH THE FAIR HOUSING COUNCIL OF
RIVERSIDE COUNTY AND MISSION HERITAGE LP TO PROVIDE FOR A \$3
MILLION RESIDUAL RECEIPTS LOAN FROM HOUSING AUTHORITY
AFFORDABLE HOUSING RESTRICTED FUNDS TO FINANCE THE
ACQUISITION OF LAND AND CONSTRUCTION OF A 72 UNIT AFFORDABLE
HOUSING COMMUNITY, NEW FAIR HOUSING COUNCIL OF RIVERSIDE
COUNTY OFFICES, AND A CIVIL RIGHTS INSTITUTE ON 1.47 ACRES AT
3901 AND 3933 MISSION INN AVENUE, 3942 6th STREET**

ISSUES:

Approve the creation of tri-party agreements with the Fair Housing Council of Riverside County and Mission Heritage LP to provide for a \$3 million residual receipts loan from Housing Authority affordable housing restricted funds to finance the acquisition of land and construction of a 72-unit affordable housing community, new Fair Housing Council of Riverside County offices, and a Civil Rights Institute on 1.47 acres at 3901 and 3933 Mission Inn Avenue, 3942 6th Street, and identified as APNs 214-212-007, -008, -009, -010, -011, -012, and -013 (Mission Heritage Project).

RECOMMENDATION:

That the Housing Authority Board:

1. Approve a Loan Agreement, Promissory Note, Deed of Trust, Regulatory Agreement, Notice of Affordability Restrictions, Release of Construction Covenants, Request for Notice of Default, Assignment of Plans, Reports and Data (a sample set is included as Attachments 1-8) between the Housing Authority of the City of Riverside the Fair Housing Council of Riverside County and Mission Heritage LP for a \$3 million residual receipts loan to finance the acquisition of land and construction of a 72 unit affordable housing community, new Fair Housing Council of Riverside County offices, and a Civil Rights Institute on 1.47 acres at 3901 and 3933 Mission Inn Avenue, 3942 6th Street, known as APNs 214-212-007, -008, -009, -010, -011, -012, and -013 to be finalized by the Housing Authority Executive Director in consultation with the City Attorney, per the deal points included in this staff report, making minor changes as necessary, to conform to the deal. The potential changes will include:

- a. Revisions of the sample agreements (Attachments 1-8) to tri-party agreements between the Housing Authority, Fair Housing Council of Riverside County and Mission Heritage LP;
 - b. Defining the uses of Housing Authority Funds (please see discussion on Page 6 of this staff report) between property acquisition and Project construction financing;
2. Authorize the Executive Director, or his designee, to execute the Loan Agreement, Regulatory Agreement, Notice of Affordability Restrictions, Release of Construction Covenants, Request of Notice of Default and other related documents to carry out the project identified in this staff report, including making minor and non-substantive changes.
3. Authorize a supplemental appropriation of \$3 million from the Housing Authority Fund Balance Account Number No. 0000280-298000 to a project account to be established by Finance under the Housing Authority 280 Fund.
4. Staff will return to the Housing Authority Board if substantial changes are made to the Agreement.

COMMITTEE RECOMMENDATION:

The Development Committee met on June 22, 2017, with Chair Gardner, Former Vice Chair Davis and Member Melendrez present, to recommend to the Housing Authority Board approval of the Mission Heritage proposal from Wakeland Housing & Development Corporation and Fair Housing Council of Riverside County for a residual receipts loan in the amount of \$3 million from Affordable Housing restricted funds to finance the acquisition of land and construction of a 72-unit affordable housing community, new Fair Housing Council of Riverside County offices, and a Civil Rights Institute on 1.47 acres at 3901 and 3933 Mission Inn Avenue and 3942 6th Street.

After discussion the Committee unanimously voted to recommend that the Housing Authority Board approve the aforementioned Committee recommendation.

BACKGROUND:

Wakeland Housing & Development Corporation (Wakeland), a non-profit developer based in San Diego, has a proven track record for planning, building, and operating innovative, high-quality residential communities that are integrated with service programming and offer opportunities for residents to reach greater levels of economic stability and personal growth. Wakeland's most recently completed project was development of the Home Front at Camp Anza community, a 30 bungalow type residential units and the adaptive rehabilitation and re-use of the Camp Anza Officers Club in the City of Riverside.

Incorporated in 1986, the Fair Housing Council of Riverside County (Fair Housing) is a nonprofit, HUD-approved housing counseling organization that fights to protect the housing rights of all individuals. Fair Housing offers a variety of services to the community that include assistance with housing discrimination, landlord-tenant disputes, first-time homebuyer workshops, foreclosure prevention, one-on-one housing counseling, and training on fair housing laws.

Fair Housing sought innovative ways to find partners that affirmatively further fair housing, and put into practice the principals that the organization fights for in the Riverside community.

Affirming this mission, Fair Housing reached out to Wakeland to collaborate on the Mission Heritage Development, to develop 72 units of affordable rental units in addition to new offices for the Fair Housing Council, a flex area, and a Civil Rights Institute. This development will encompass a full service campus where Riverside residents can live affordably, seek advice on homeownership and fair housing issues, and learn and contribute to the civil rights story of inland Southern California. Fair Housing.

Wakeland and Fair Housing have formed the Mission Heritage LP, a California limited partnership to carry out the Mission Heritage project.

DISCUSSION:

In October of 2015, the Housing Authority received a development proposal titled “Mission Heritage Plaza” from Wakeland in partnership with Fair Housing to acquire land and construct a 72-unit affordable housing community, new Fair Housing Council of Riverside County offices and a Civil Rights Institute on 1.47 acres at 3901 and 3933 Mission Inn Avenue, 3942 6th Street, and identified as APNs 214-212-007, -008,-009, -010, -011, -012, and -013 that will be consolidated to facilitate the development.

Fair Housing has entered into purchase and sale agreements with the property owners of adjacent vacant land located at 3942 6th Street and APNs 214-212-011, -012, -013. Fair Housing currently owns the property at 3901 and 3933 Mission Inn Avenue and the abutting vacant land at APNs 214-212-007, 214-212-008, -009 and -010.

Below is the project rendering from the corner of Mission Inn Avenue and Fairmount Boulevard.



Below is the project rendering from Fairmount Boulevard.



Deal Points

1. A Three Million (\$3 million) dollar Housing Authority Loan;
2. Loan proceeds will be utilized to acquire property and pay for soft (design/engineering) and hard construction costs for completion of the Project;
3. The Project will contain 72 affordable housing units restricted to residents that earn at-or-below 60% of the Area Median Income (or \$38,700 for a family of four in 2017) and eligible Veterans who will receive housing vouchers;
4. Loan repayment will begin when the Project is occupied (at a Certificate of Occupancy);
5. The loan will be repaid out of residual receipts; 50% of Project proceeds above the total costs of operating Project units; and
6. The loan will mature in 55 years, and the units will remain affordable for that same period.

Affordability

Of the 72 affordable units, 22 units will be reserved for veterans. Of the 22 units reserved for veterans, 11 units will be reserved for formerly homeless veterans participating in the Veterans Housing and Homeless Prevention Program (VHHP). The anticipated affordability and unit mix for the development is shown below:

BEDROOM SIZE	SQUARE FEET	INCOME LEVELS
One	643	<ul style="list-style-type: none"> • 14 units at 30% of Area Median Income (AMI) • 2 units at 45% of AMI

		<ul style="list-style-type: none"> • 8 units at 50% of AMI • 6 units at 60% of AMI
Two	788	<ul style="list-style-type: none"> • 3 units at 30% of AMI • 7 units at 45% of AMI • 7 units at 50% of AMI • 6 units at 60% of AMI
Three	1,086	<ul style="list-style-type: none"> • 2 units at 30% of AMI • 6 units at 45% of AMI • 6 units at 50% of AMI • 4 units at 60% of AMI

These units would remain affordable for a 55 year period and the City would conduct annual inspections to ensure the property is being well maintained and the rent and income limits are being maintained.

Design

The project architect has drawn design inspiration from the surrounding neighborhood by including a promenade element along Mission Inn Avenue and spacious courtyards typical of nearby historic buildings. The building facing Mission Inn Avenue has massing that corresponds to the Fox Theater's large, prominent features. Whereas the building Fairmount Boulevard emphasizes a front porch presence, providing a connection with the single-family homes on Sixth Street that is pedestrian in nature.

Programming & Services

Fair Housing will continue to provide the aforementioned services to the public within the new development. They will continue to hold training sessions and events open to the public on evenings and weekends. The Civil Rights Institute, further described below, is also expected to be open during normal business hours and hold special events and programming on nights and weekends, in compliment to the existing vibrant nature of Downtown Riverside. The Civil Rights Institute will also program in coordination with the new proposed main library across the street of Mission Inn Avenue.

Civil Rights Institute

The Civil Rights Institute of Inland Southern California (CRI) has been created as the voice of all civil rights within the inland region. It embraces the entire spectrum of the region's diversity, and includes voices from every race and ethnicity, from senior to women's rights groups, from disenfranchised and discriminated groups, and people with disabilities.

Specifically, CRI is intended as:

1. An archive, library, museum and repository for display of civil rights materials from Inland Southern California;
2. A diversity center, multimedia center, and meeting space for the region's many organizations that preserve, protect, and celebrate diversity and civil rights;
3. A performance space for readings, renditions, and performances focused on civil rights, both historical and contemporaneous;
4. A collaborative space for the region's civil rights groups, universities, colleges and school districts for civil rights projects, grants and exhibitions;
5. A discussion and unity platform for discussions about, and leadership on contemporaneous-and emerging—civil rights challenges and issues;
6. An academic resource for the region's universities, colleges and schools for research and scholarship on civil rights;
7. A meditation space for reflecting on civil rights movements, past and present, and for facilitating solutions;
8. Meeting space for community organizations; and
9. Annual celebration space for CRI related events.

Financing

The estimated total development cost is \$35,235,820, which a breakdown is provided below.

Activity	Cost
Land Acquisition	\$1,865,000
Construction	\$23,811,851
Professional Fees/Soft Costs	\$2,980,823
Financing Costs	\$6,578,146
Total Development Cost	\$35,235,820

The development cost is expected to be financed through the following funding sources:

Sources of Funds	Funding Amount
9% Tax Credit Equity	\$11,046,677
Permanent Loan	\$1,970,763
Affordable Housing and Sustainable Communities	\$14,117,808

Program (State of California Program)	
Veterans Housing and Homeless Prevention Program (VHHP)	\$2,850,573
GP Capital Contribution	\$1,499,999
Sponsorships/Other Sources	\$750,000
City Housing Authority Loan	\$3,000,000
Total Sources of Funds	\$35,235,820

For the Housing Authority Loan, it is anticipated that the proceeds will be expended in the following manner:

1. Approximately \$1 Million will be disbursed to the Fair Housing Council of Riverside County for acquisition of properties contiguous to its headquarters that will be used for construction of the Project. The Fair Housing Council will transfer the property where its offices currently reside into the Project, and will take office space offsite while the Project is under construction. The Housing Authority will pay no more than appraised value for any property acquired with Authority funds.
2. Approximately \$2 million to Mission Heritage LP to cover portions of design, engineering, and construction costs of the Project.

Land acquisitions for the Project will be completed by the Fair Housing Council of Riverside County, who will then transfer the properties with all encumbrances (i.e., deeds of trust, regulatory agreements, promissory notes, etc.) to Mission Heritage LP for completion of the Project.

The identified sources of funds is estimated to be \$32,235,820, which will leave a subsidy gap of approximately \$3,000,000. Staff is requesting that \$3 million in Housing Authority funds (former Redevelopment Housing Set-aside funds) be used in filling the subsidy gap to cover the cost of the affordable housing units. The subsidy gap requested from the Housing Authority represents approximately 9% of total project cost. The \$3 million loan will be made as residual receipts loan, bearing 3% simple interest per annum, which will begin repayment twelve (12) months after project completion defined as a certificate of occupancy issued by the City of Riverside. The City shall maintain a deed of trust on all parcels should, for any reason, the Project not go forward after the City disburses loan funds for the property acquisition. The loan shall mature in fifty five (55) years.

Community Meetings

Wakeland and Fair Housing have presented the project to the following community groups:

1. Neighborhood Partnership Housing Services (NPHS)
2. Eleanor Jean Grier Leadership Academy

3. The Group
4. Omega Psi Phi Fraternity, Inc.
5. La Sierra University
6. Riverside East Rotary Club
7. Downtown Area Neighborhood Alliance
8. NAACP – Riverside Branch
9. Housing Opportunities Collaborative
10. Path of Life Ministries
11. Riverside African-American Historical Society, Inc.
12. Riverside County Black Chamber of Commerce
13. Riverside Latino Network
14. Greater Riverside Chamber of Commerce
15. Adjacent property owners and residents
16. Riverside County Supervisor Tavaglione
17. Senator Richard Roth's Office
18. Mayor's Multicultural Forum

FISCAL IMPACT:

There is no fiscal impact to the General Fund. The Housing Authority has \$3 million available in the Housing Authority Fund Account No. 0000280-298000 to contribute towards development costs. The \$3 million loan will be provided at a simple interest rate of 3% with a 55 year term. The developer will repay the loan in annual payments equal to fifty percent (50%) of the residual receipts for the prior fiscal year.

Prepared by:	Rafael Guzman, Community & Economic Development Director
Certified as to availability of funds:	Adam Raymond, Chief Financial Officer/City Treasurer
Approved by:	Alexander T. Nguyen, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Concurs with;



Mike Gardner, Chair
Development Committee

Attachments:

1. Loan Agreement
2. Promissory Note
3. Deed of Trust
4. Regulatory Agreement

5. Notice of Affordability Restrictions
6. Release of Construction Covenants
7. Request for Notice of Default
8. Assignment of Plans, Reports, and Data
9. Presentation