



City Council and Housing Authority Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR, CITY COUNCIL AND HOUSING AUTHORITY COMMISSIONERS **DATE: NOVEMBER 14, 2017**

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

SUBJECT: AMENDMENTS TO FUNDING AND AFFORDABILITY AGREEMENTS BETWEEN THE CITY OF RIVERSIDE, THE HOUSING AUTHORITY OF THE CITY OF RIVERSIDE AND MT. RUBIDOUX MANOR L.P. TO EXTEND THE AFFORDABILITY PERIODS, INCREASE INTEREST RATE TO 2.75%, INCREASE THE NUMBER OF AFFORDABLE UNITS AND SUBORDINATE THE FUNDING AGREEMENTS TO NEW CONSTRUCTION FINANCING FOR THE PROPERTY LOCATED AT 3993 TENTH STREET, RIVERSIDE, CALIFORNIA.

ISSUES:

Approve amendments to funding agreements between the City of Riverside, the Housing Authority of the City of Riverside and Mt. Rubidoux Manor L.P. relating to the 1996 former Redevelopment Agency loan and the 2001 City HOME Investment Partnerships Act loan for the Mt. Rubidoux Manor senior living complex located at 3993 Tenth Street, that include extending the terms of affordability by an additional 57 years, increasing the interest rate from 0% to 2.75%, requiring the set-aside of 13 additional affordable units in the project to facilitate the rehabilitation of Mt. Rubidoux Manor, and subordinate these agreements to new construction financing to allow the owners of the project to refinance existing debt and make improvements to the property.

RECOMMENDATIONS:

That the City Council authorize the City Manager, or his designee, to execute the following documents, including making minor non-substantive changes by approving the following agreements with Mt. Rubidoux Manor, L.P.:

- a. First Amendment to Home Investment Partnerships Program Loan Agreement;
- b. First Amendment to Deed of Trust with Assignment of Rents;
- c. First Amendment to Promissory Note;
- d. First Amendment to Regulatory Agreement;
- e. Assignment and Assumption Agreement; and
- f. Subordination and Intercreditor Agreement.

That the Housing Authority authorize the Executive Director, or his designee, to execute the following documents, including making minor non-substantive changes:

- a. First Amendment to Owner Participation Agreement between the Housing Authority of the City of Riverside and Mt. Rubidoux Manor, L.P.;
- b. First Amendment to Promissory Note;
- c. First Amendment to Agreement Containing Covenants, Conditions and Restrictions Affecting Real Property;
- d. Assignment and Assumption Agreement; and
- e. Subordination and Intercreditor Agreement.

BACKGROUND:

Mt. Rubidoux Manor, a 188-unit, 16-story senior housing development located at 3993 Tenth Street (Property), was constructed in 1971. The City and Redevelopment Agency provided the following rehabilitation loans to Riverside First Baptist Homes Inc. dba Mount Rubidoux Manor to make property improvements.

- \$108,000 RDA loan was provided on February 13, 1996 with a 0% interest rate. The loan is fully forgiven in year 30.
- \$200,000 HOME loan was provided on January 19, 2001 with a 0% interest rate. The loan is fully forgiven in year 30.

In connection with these loans, affordability covenants were recorded against the Property.

As of February 1, 2012, the former Redevelopment Agency was dissolved pursuant to California Health & Safety Code Section 34172. In accordance with California Health & Safety Code Section 34176(a), the Housing Authority of the City of Riverside elected to retain the housing assets of the former RDA (as defined in California Health & Safety Code Section 34176(e)). In accordance with California Health & Safety Code Section 34175(b), all property and assets of the former Redevelopment Agency, including, but not limited to, the rights to and under the documents previously entered into by First Baptist Homes, were transferred to the Housing Authority.

The Project is currently 91.5 percent occupied and maintains an extensive waiting list of approximately 300 households. Mt. Rubidoux Manor has been generally well maintained and in overall good condition.

DISCUSSION:

Riverside First Baptist Homes, Inc. is assigning all of its interests in the Property to Mt. Rubidoux Manor L.P. Mt. Rubidoux Manor is in the process of refinancing the property to renovate the apartment units, including the 13 units that were damaged by a fire in December of 2016. Additional improvements to units will include energy efficiency upgrades, new flooring, kitchen

upgrades to countertops and ranges, the installation of water saving toilets and showers, and the upgrading of paint, carpet, and signage in common areas.

The rehabilitation project will be financed with a combination of Tax Credit Allocation Committee (TCAC) funds and a private loan from Citibank. To comply with TCAC and Citibank funding requirements, Mt. Rubidoux Manor is requesting the City and Housing Authority to approve the following terms:

- (a) City HOME loan: Extend loan repayment period for an additional 57 years, increase interest rate from 0% to 2.75%, and require 11 HOME restricted units during the term of the loan. Three (3) units are reserved for very low income seniors (50% of Area Median Income and below) and eight (8) units are reserved for low income seniors (80% of Area Median Income and below).
- (b) Housing Authority loan: Extend loan repayment period for an additional 57 years, increase interest rate from 0% to 2.75%, and require an additional 12 affordable units during the term of the loan which will consist of three (3) units reserved for very low income seniors and 9 units reserved for low income seniors).

Families at 80% of the Area Median Income had incomes below \$41,300 for a family of two in 2017. Families at 50% of the Area Median Income earned \$25,800 for a family of two in 2017. All units at Mt. Rubidoux Manor are either efficiency units or one-bedroom units.

In connection with the Citibank loan, the City and Housing Authority need to subordinate their loans in favor of Citibank. While the loans will be subordinated, should Mt. Rubidoux Manor default on the Citibank loan, the affordability covenant's in favor of the City and the Housing Authority will remain. The City and Housing Authority's loans, as well as the affordability covenants will also be extended by an additional fifty-seven (57) years.

FISCAL IMPACT:

There is no fiscal impact to the General Fund. The City and Housing Authority loans will generate program income from the interest being charged at 2.75% for affordable housing activities. The loans are deferred and will be due and payable in 57 years from the date on the Promissory Notes.

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

Attachments:

1. First Amendment to Home Investment Partnerships Program Loan Agreements
2. First Amendment to Deed of Trust (City)
3. First Amendment to Promissory Note (City)
4. First Amendment to Regulatory Agreement

5. First Amendment to Owner Participation Agreement between the Housing Authority of the City of Riverside and Mt. Rubidoux Manor, L.P.
6. First Amendment to Promissory Note
7. First Amendment to Agreement Containing Covenants, Conditions and Restrictions Affecting Real Property
8. Assignment and Assumption Agreement for the HOME and RDA loans
9. Subordination and Intercreditor Agreement
10. Short Form Deed of Trust and Assignment of Rents